

23 SEPTEMBER 1987



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

# ***JPRS Report***

---

## **Soviet Union**

---

***Economic Affairs***

23 SEPTEMBER 1987

Soviet books and journal articles displaying a copyright notice are reproduced and sold by NTIS with permission of the copyright agency of the Soviet Union. Permission for further reproduction must be obtained from copyright owner.

# SOVIET UNION ECONOMIC AFFAIRS

## CONTENTS

### NATIONAL ECONOMY

#### ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

- OGONEK Correspondent Interviews Aganbegyan  
(Abel Gezevich Aganbegyan Interview; OGONEK, Nos 29,  
30; 18 Jul-1 Aug 87)..... 1

#### INVESTMENT, PRICES, BUDGET, FINANCE

- Palterovich Examines Fixed Capital Replacement Practices  
(PLANOVOYE KHOZYAYSTVO, No 6, Jun 87)..... 35

### CONSUMER GOODS, DOMESTIC TRADE

#### POLICY, ORGANIZATION

- Trunov Assesses Effectiveness of Consumer Cooperatives  
(M. P. Trunov; SOVETSKAYA POTREBITELSKAYA  
KOOPERATSIYA, No 5, May 87)..... 48

#### GOODS PRODUCTION, DISTRIBUTION

- Uzbek Official Reports on Quality of Goods, Services  
(Gulyam Zakhritdinovich Zakhritdinov, N. Rodionova;  
(KOMMERCHESKIY VESTNIK, No 9, May 87)..... 67

Tula Oblast Wholesale Trade Network Surveyed (V. Altunin; SELSKAYA ZHIZN, 14 Jun 87).....	72
--	----

## HUMAN RESOURCES

### LABOR

Draft Guidelines for New Pension Law Discussed (A. Solovyev; SOTSIALISTICHESKIY TRUD, No 4, Apr 87)....	75
Goskomtrud Chief Interprets Individual Labor Law (L. E. Kunelskiy Interview; SOTSIALISTICHESKIY TRUD, No 5, May 87).....	87
Income, Taxation Under Individual Labor Law Addressed (V. Tur; SOVETY NARODNYKH DEPUTATOV, No 6, Jun 87).....	98
Credit Financing for Individual Labor Activity Stated (EKONOMICHESKAYA GAZETA, No 21, May 87).....	105
Wage Payments for Public Health Employees Clarified (G. Yakimovich Interview; SOTSIALISTICHESKIY TRUD, No 4, Apr 87).....	107

### EDUCATION

Draft of Regulations on School Inspection Set Forth (UCHITELSKAYA GAZETA, 23 May 87).....	115
--	-----

/12223

## OGONEK CORRESPONDENT INTERVIEWS AGANBEGYAN

Moscow OGONEK in Russian No 29, 18-25 Jul 87; No 30, 25 Jul-1 Aug 87

[Interview with Abel Gezevich Aganbegyan, academic secretary of the economics department of the USSR Academy of Sciences, by special OGONEK correspondent Leonid Pleshakov: "Man and the Economy"; date and place not specified]

[18-25 Jul 87 pp 2-5]

[Text] [Question] "Acceleration" and "restructuring"--there are now no other terms which in discussion of our country's present economic problems are used so frequently as those.

I understand, Abel Gezevich, that behind the terms "acceleration" and "restructuring" there stands an entire complex of economic tasks which the country has to perform in the years immediately ahead. We cannot discuss everything in a single interview with you. So we would like to dwell on some particular aspect which from your point of view is the most important....

[Answer] It seems to me that the basic problem in restructuring is the problem of man. I think, then, that our conversation must be devoted to what is now customarily referred to as the "human factor" in the economy, in the broad sense of that term.

[Question] I agree, but before we move directly to that topic, I would like to put a few questions of a general nature, if it can be put that way.

In discussion of the adverse phenomena which have occurred in our economy the old "boils" mentioned most often are the notorious "gross," low product quality, the imperfect pricing system, slow application of new equipment and progressive processes, and consumption of energy, raw materials, and labor in the output of the unit product that is too high compared to the advanced countries. And so on.

The most surprising thing is that our unwarranted waste of raw materials has been talked about from high places since back in the mid-twenties. The all-powerful "gross" was criticized back in the early thirties.



But here time has passed, and we have seen that the "gross," in spite of its deep old age, is still alive and well, that our production involves high costs as it did before, that in the area of computerization of the economy and in the application of the advances of the scientific-technical revolution we are lagging behind the times, that our efficiency is low, and that we simply would rather not talk about the quality of the products produced.

Why has this happened? How are the negative processes to be stopped and then turned in the opposite direction?

[Answer] You have correctly named the most visible sore points of our economy. Why has this happened the way it has? There are many reasons. So as not to get bogged down in examining them all, let us dwell only on the most important ones.

Our main trouble is that for a very long time we have been trying to preserve the old economic mechanism. It did us a definite service under the different historical conditions when it had just been set up. And it proved to be altogether unsuitable for the new conditions. This economic mechanism not only does not help to solve the new problems generated by the new conditions; it holds back their solution. From the positions of this economic mechanism, with its emphasis on the "gross" (the more expensive, the better), production cannot fail to be high-cost by its very nature.

[Question] But analyzing an illogicality of that kind is an elementary matter....

[Answer] Agreed, it is elementary. But it is no simple matter to change it, since everything in the economic mechanism is interconnected. All resources are counted using the gross, the supply system is based on it, and the technology of planning and evaluation of performance, even the criteria of competition, revolve around it. For years, for decades, there has been quite sound criticism of this situation. Everyone has quite rightly been saying that it is not possible to plan tons, pieces, cubic meters, ton-kilometers, faceless rubles of output, the volume of construction work, and so on. But nothing changed because the existing economic mechanism is logical in its own way. It is based on administrative methods, and this principle has been adhered to very consistently. How is the performance of various economic organizations in our country planned? First: Each of them has many binding direct targets assigned to it by name. Targets for the output of the entire list of products are handed out from above. Second: Resources are also "handed down" from above: so-and-so many machine tools, so-and-so many desks, so-and-so many typewriters, and so on. It is all allocated in detail. And a request for all these stocks must be drawn up 1.5 years before your order begins to be filled. Third: Every step in such a system is regulated. Tens of thousands of regulations determine what you can do and what you cannot. You cannot, say, turn a machine tool over to another organization, but you can give it to a school. Yet under certain conditions, if your superiors allow (this permission has to be obtained, and is not easy to get), then a machine tool can in fact be given to another organization. This rigid bureaucratic system of management has logically led to many adverse consequences. To make life easier, excessive stocks were built up. In some places they accumulated

in unreasonable amounts, while in others there was an acute shortage. A shortage inevitably evokes a desire to build up an emergency reserve, sometimes even of things which are not necessary. The psychology of hoarding "against every possible emergency" had the result that aggregate stocks of various raw materials and supplies reached colossal proportions in our country--inventories in the national economy are estimated at 460 billion rubles. Immense resources were expended in producing them. They were expected to bring a return. In actuality the inventories of raw materials and supplies represented idle capital and caused losses.

A similar picture--the idling of capital--has been created in our country with productive capital as well. Our stock of machine tools is more than twice as large as that of the United States. But what good are those machine tools if on the average they operate barely more than one shift a day? Cranes and machinery stand idle at our construction projects. Trucks are not being used at anything like full capacity. Deadheads are commonplace. "Personal" automobiles are crowded around institutions all day long with nothing to do. Tens and hundreds of billions of rubles were spent to produce all these machine tools, trucks, machinery, and equipment, but they have not yielded the anticipated benefit. At some point somewhere someone calculated what stock should be allocated in what amount to particular recipients. And when everything which had been divided up at such pains reached the addressees, it turned out that there at the local level they were unable to give them a full load of work. After all, the money paid for them was not their own, was not like their own "life's blood."

But the dictate which the producer has held over the consumer has been our greatest trouble. Take what you get, otherwise you won't get anything at all--that has been the philosophy of economic relationships which at times have come about between enterprises and economic organizations. And you are forced to take what you do not need, something that is out-of-date, something that is low in quality. That is all they have to offer. This spoils the producer, places the consumer in a disenfranchised position, kills in him the desire to show initiative and put an end to the large losses of materials suffered by the national economy as a whole.

I will give an example which seems to me rather indicative.

For 20 or 25 years now the Gorkiy Motor Vehicle Plant has been manufacturing a truck model with a small engine which nevertheless guzzles 20 liters of gasoline in going 100 km. This truck is unable to pull a trailer, so that makes it less productive. It has a great many grease points, which means additional servicing. Its running life before major overhaul is only 250,000 km--which is very low by present standards. Now finally a new "GAZik" has been developed (experimental prototypes have already been tested); it has a larger diesel engine consuming only 14 liters of inexpensive fuel per 100 km. This truck can pull a 4.5-ton trailer. It has an airtight body welded from steel sheet, so that it can carry bulk loads without loss. It runs 350,000 km before general overhaul. It requires one-third less servicing than the previous model. All of this taken together increases the productivity of labor of the diesel truck to a level 1.7-fold higher than that of its predecessor. According to the estimate of the state commission, the first

phase in production of the new truck will yield an economic benefit of about 400 million rubles per year. The benefit will, of course, be still greater when the new diesels replace the hundreds of thousands of gasoline "GAZiks" still operating in the economy. It will, of course, take time to update the truck fleet, and we will continue as before to lose many hundreds of millions of rubles because an obsolescent model was manufactured beyond its time, and large-scale production of the new one was too long in coming.

Even the birds in the trees are saying that our industry frequently is very reluctant to make the transition to producing a new, more efficient, and progressive product. The reason lies in the fact that our economic mechanism was for a long time set up in such a way that it was simply disadvantageous and troublesome for individual enterprises and entire sectors to adopt something new, since production of the old already guaranteed not only stable profit, but also an easy life with a production process which had no bugs in it, especially since the familiar dictate of the producer and dependent status of the consumer allowed this kind of abnormal situation. The ultimate gains of certain branches were offset by the heavy losses of rubles by consumers, which means, on the scale of the entire economy. The economic benefit achieved by effort at one point seemed to be eaten up by mismanagement somewhere else.

Let us go back to our example.

If someone were to empty a gas tank into the ditch, he would be tried for a crime or at best fined, and he would have to make up the value of what he destroyed. At the very same time thousands of the old model of Gorkiy trucks are on the country's roads, every year burning up unnecessary hundreds of thousands of tons of expensive fuel which could have been saved if we had made an earlier transition to the new diesel truck. We are waging a campaign everywhere to conserve fuel, in some places considerable effort is yielding success, but in the final analysis the result achieved goes for naught: the immense fleet of the old trucks can uselessly burn up the fuel that has been saved in its wasteful engines. To no purpose.

The gasoline "GAZik" allows large losses of the load during transport because the body design is imperfect. The truck's low productivity means there have to be additional drivers to handle the same volume of traffic. Extra people are needed to service it.

In general, when we think in terms of the entire country, this truck is a high-cost item, a losing item, in the final analysis. Nevertheless, it continues to be manufactured and is yielding quite a fair profit. Thanks to the existing economic mechanism the interests of the plant and the interests of the branch prove to be greater than the interests of the entire national economy. This would seem to be a negligible example on the scale of the country's economy, but still it is rather indicative. It illustrates how and why in our country we senselessly go on producing extra raw materials which are becoming ever more difficult and expensive to obtain, why year after year we are obtaining an ever smaller profit per ruble invested in capital.



[Question] Abel Gezevich, you say that the economic mechanism is at fault. But yet in recent 5-year planning periods so many decrees have been adopted to improve it so that it meets the requirements of the scientific-technical revolution, that one would suppose it long ago should have taken on the necessary form....

[Answer] As a matter of fact, a great many decrees have been adopted. But in the past, until the watershed reached at the April (1985) Plenum of the CPSU Central Committee, they were palliative in nature, halfway measures which while improving some tiny thing did not provide a full and radical solution to the problems facing our national economy. And an economy is a force that can be smothered, any effort can be nullified, if it is based on inconsistent solutions which are not comprehensive. Without going into a detailed analysis of solutions of that kind, we will dwell, as we said, only on their final result. In the years of the 8th Five-Year Plan the country's national income grew 41 percent. In the 9th it grew 28, in the 10th 21. In the 11th only 16.5 percent. In other words, we have been developing ever more slowly. Each successive forward step we have taken has been smaller and smaller, and it has cost us ever greater effort and ever greater resources....

[Question] Over a 5-year period 16.5 percent means 3.3 percent per year.

Some economists say in this connection that quite often a new product's higher price has not been confirmed by a rise in its quality. For example, when prices of noble metals increased, there was immediately a considerable increase in the gross value of products of the radio and electronics industries in which these metals are widely used, even though the actual volume of output or the indicators of product quality increased negligibly. Or, again, the automotive industry put a new automobile into production which did not contain improvements over the previous model with respect to the performance characteristics most important to an automobile: speed, power, and economic efficiency of the engine, comfort, but still the price was considerably higher because of all sorts of chrome doodads which made it prettier, that is, the price of the product was higher although the performance characteristics were as before, and the higher price meant a larger gross value of the entire output of the enterprise and the branch. Since many branches carried out this unwise operation to improve their overall indicators, there was in turn an increase in the value of the country's entire gross output. Some people feel that the growth achieved by this method has amounted to approximately 4 percent per year, which for all practical purposes offset the 3.3-percent increase in the national income in recent years....

[Answer] In my opinion, our growth indicators have exaggerated performance because of the failure to take into account the rise in the price index which you have noted. But it cannot be said that a slump has been observed in our production, that we have been at a complete standstill, that we have been going backwards, that we have not gone forward. That is not the case. Although there really have been signs of a slump in certain spheres of our economy, there has been stagnation, and a precrisis situation has come about in the economy.

We now want to replace the old economic mechanism with a fundamentally different one in which both planned economic development (the most important pattern of a socialist economy) and democratic centralism (the fundamental Leninist principle of management) would be implemented differently, in different forms.

We have become so accustomed to administrative methods of management of the economy that at mention of the word "plan" we imagine heavy books containing rigid specific targets which have been specifically assigned. Yet it is altogether unnecessary for the plan to be defined only as a system of binding indicators. A plan can be realized through economic standards, prices, terms and conditions for financing and credit, through incentives, motivation, using the market, through competitiveness of producers and consumers.

[Question] It follows that market relations, commodity relations must be given greater freedom, those things which until recently were suppressed and deliberately inhibited?

[Answer] Yes, commodity-money relations are being invigorated; the socialist market will be developed. The reforms are specifically aimed at that. And that is why we need to radically alter the economic mechanism of pricing and the finance and credit mechanism so that the supply of materials and equipment is replaced by an active trade sector, and many other things. Extremely difficult work lies ahead. But it has to be done.

[Question] But there will still be a plan?

[Answer] There has to be a plan, but its character and the methods of implementing it will be different than before.

[Question] Please explain with an example....

[Answer] Suppose that on the basis of the needs of the country's population we calculate that our agriculture must produce 100 million tons of milk per year. We insert this figure into the plan. There are various ways in which it can be achieved. First: We give a direct target to every republic to produce a certain quantity of milk. The republics break it down among their oblasts, the oblasts among rayons, and the rayons by kolhkozoes and sovkhkozoes. Then we set up a monitoring apparatus and use it to get the "plan" fulfilled.

This is one form of planning--by direct assignment.

But there can also be another form that is diametrically opposite to that one. We set a certain purchase price on milk and we say to the kolhkozoes and sovkhkozoes: produce milk if you like, if not, don't, that is your affair. Should you be able to organize things so that you obtain a sizable economic benefit at the purchase price that has been set, your workers will receive larger earnings, larger deductions will go into funds for social welfare development and material development. All the skill lies in computing a milk price so that those for whom it is advantageous will together produce exactly the 100 million tons which the country needs.

But there may also be intermediate forms of planning. Suppose that we do not specifically assign targets for the entire 100 million tons of milk, but only on 70 million. Kolkhozes and sovkhozes which have fulfilled the plan are entitled to sell their surpluses to the state, to consumer cooperatives, to take it off to the market, or to process it themselves into butter, cream cheese, and ripened cheese and to sell those products as they see fit. But all of this must be linked up in such a way that the total volume of milk production still amounts to those 100 million tons that the country needs according to the calculations. It is this form of planning and regulation of our agriculture that has been adopted in our country during the restructuring of management in the agro-industrial complex.

[Question] Understood.

Now, Abel Gezevich, we would like to move directly onto the role of the human factor in acceleration and restructuring, which you have called one of the main problems of the present stage of our country's economic development. Why?

[Answer] In order to answer your question I must dwell in a bit more detail on the terms themselves: "acceleration" and "restructuring."

It is no exaggeration to say that the fate of our state, its future in the broadest sense of the word, depends on carrying out the party's scientific-economic strategy, the heart of which is the conception of acceleration of the country's socioeconomic development. It is for the sake of acceleration that the large-scale restructuring of our entire national economy was conceived.

The conception of acceleration cannot be understood in mechanical terms, in mere terms of quantity: first, there is speed, and then an addition to it for every unit of time. Of course, the quantitative aspect of the thing is also important here, but it is not the main thing. In the 11th Five-Year Plan, for example, our national income, as has already been stated, grew barely more than 3 percent per year. In the 12th we would like to rise to 4 percent. In the nineties 5 percent. As we see, the rates are rising substantially. But still it is not only the rise in the rates, but far more important is the new qualitative content of the growth: What do those 3, 4, and 5 percent embody; what kind of products, from what source, for what purpose? For acceleration itself, as the pivot of our scientific-economic strategy, was not conceived in order to expand the scale of the quantitative growth of production: mining more coal, extracting more petroleum, smelting more metal, and so on. We must get the national economy on the track of intensification. The rise of labor productivity must be increased by half over the 11th Five-Year Plan even during the 12th and there must be a larger saving on fuel and raw materials, and the growth rate of the output-capital ratio must be tripled.

Among the strategic sources which for a long time have determined our movement and our development, scientific-technical progress is given the principal place. Preference will moreover be given not to its evolutionary forms, in which existing machines and processes are refined, but to revolutionary forms whereby a transition is made to new generations of technology and



fundamentally new technological systems, which yields a growth measured not in percentage points, but in factors greater than one.

So, the principal purpose of acceleration is to boost our entire society to a higher qualitative state. To do this we must build a material and technical base that meets the requirements of the scientific-technical revolution so as to enter the 21st century with updated productive forces. We must, as has already been said, update all of our economic forms and production relations, the entire system of management, the economic mechanism. It is clear that the worker must also meet the new conditions. He must possess more thorough vocational and general knowledge, an inner sense of discipline in the broad sense, and the ability to work as part of a team. He must be active in a social sense and in the workplace, he must have a higher level of sophistication. In short, this must be a new man--our principal productive force.

We must raise our entire state of prosperity to a new level by deepening specifically socialist achievements.

But life does not come down to economics alone. We must renew all of our public institutions: solve the problems of openness, democracy, self-management, and many, many other things consistently and thoroughly, and this also can come under the heading of "acceleration."

[Question] Abel Gezevich, so far we have been talking mainly about how our economy, our society as a whole, must be raised to a new level as a result of restructuring and acceleration. But what does man specifically obtain as a result of the performance of all these measures? What sort of goals are we setting ourselves in this regard? How realistic is their fulfillment? After all, in the end man is not only the protagonist and creator of restructuring and acceleration, but also, if it can be put this way, their object. It is on his behalf, in his interests, that they were conceived. And our slogan "Everything for Man" will remain only a slogan until we back it up with specific deeds and content. What goals are we setting ourselves in this regard, what tasks do we have to perform in the immediate and more distant future?

[Answer] The change of direction which we have to accomplish in the sphere of social welfare is equal in its scale to the qualitative leap that has been outlined in the economy. Strictly speaking, it is not possible to separate one from the other. After all, we want to raise the country's economy to a new and higher level not for the sake of the economy itself, but in order to satisfy people's growing needs at the higher level. So that their prosperity rises, so that they have greater opportunity for comprehensive development, so that the socialist way of life also is raised to a higher level. The efficiency of the economy which we want to achieve must ultimately redound to the benefit of man and bring about the highest level of living in the world. Moreover, not the kind of standard of living which exists in other countries, but a qualitatively new one that would take into account our socialist advantages. To be specific, even now there are certain examples and certain aspects of life with which we can demonstrate and prove what we have achieved: full employment, the absence of unemployment, no discrimination, no



exploitation of man by man, a regulated and rather short workday (and this has been done at a level of labor productivity that is still relatively low compared to other advanced countries), social consumption funds, and achievements in the domain of social welfare benefits and priorities. But there are spheres in which we lag seriously behind the advanced countries: in the level of real income, the supply and comfort and conveniences of housing, average length of life, average level of education, and certain other aspects where we still have a great deal to do....

[Question] In other words, we need to accomplish restructuring and acceleration in the area of people's well-being?

[Answer] Yes. Though we must immediately attach a qualification. In our country the term "well-being" usually refers to the level of material sufficiency. Our main goal is this: make man's life better, including in this task the most varied aspects, one of which is material sufficiency.

You recall the famous revision which Vladimir Ilich Lenin made in the draft of the party program which Plekhanov had proposed? Plekhanov's version said that the goal of the society of the future was to achieve the well-being of all its members. Lenin did not agree with that formulation and said instead that the ultimate goal of society must be to achieve the full well-being and free comprehensive development of all the members of society. See the difference?

In their writings Karl Marx and Friedrich Engels attributed great importance to such an element of the socialist way of life as increased free time in the belief that people would use it for their spiritual development and self-improvement.

[Question] It is no secret that there are quite a few problems involved in raising the well-being and comprehensive development of all members of our society. Which of them, Abel Gezevich, are in your view the most important ones, the ones that need to be solved first?

[Answer] That is a complicated questions, since everything concerning man has to be examined in the entire context, and it is very difficult to separate one or several problems from the entire group and say that this is the main thing. So I will rank the problems now being discussed by order of acuteness.

The problem of food has not been solved. For an advanced country, and that is what we are, in the last quarter of the 20th century in which we are living, we have been eating poorly, above all from the qualitative standpoint. We first of all need to meet the population's need for the products of animal husbandry. There is a chronic shortage of animal protein and fat. It is not even so much a matter of quantity, not so much a matter of our wanting to have a per capita meat consumption of 80 kg when we eat only 61 at present. That is not the point. It is the quality and the pattern of the products consumed that are important in nutrition. We mainly eat frozen meat which has lost half of its nutrients. We eat fish which has been refrozen, in which once again there is little benefit left.

The second problem in the area of food is represented by fruit and vegetables. This is where we have the largest lag, since our consumption of fruit and those vegetables which like heat is only one-third of the standard. We are not talking about the global and summary figures, but about uniform supply throughout the year. All of our summary indicators smooth out and distort the true state of affairs; they say nothing about the seasonal nature of the supply of this produce.

We are living in the year of the 70th anniversary of the October Revolution, 42 years after the victorious end of the Great Patriotic War, and yet you go in a store....

This situation can no longer be tolerated. The problem which faces us in this area is actually far more complicated than it seems to many people. Our achievements in the food area have been altogether unsatisfactory in the recent past. In the 11th Five-Year Plan, for example, the production of farm products increased over the previous 5-year period by only 6 percent, yet over that same time our population grew 4.5 percent. In other words, in per capita terms the production of food is marking time in the same spot, while real personal income has risen 20 percent in that time. In order to mitigate the acuteness of the situation to some extent, every year we have been forced to buy abroad tens of millions of tons of grain, about a million tons of meat, and a great deal of other food.

Not only is this fact intolerable for a great power that has every condition for fully satisfying its urgent needs for food, it is also imparting a certain destabilizing element in our economy. We have been eating up resources which could have been used more efficiently on the world market. For instance, to buy goods necessary for accelerated economic development.

Solving the food problem is one of our key tasks in the remaining years of the 20th century. There are large plans to be fulfilled in this area even during the 12th Five-Year Plan, when the growth rate of agricultural production is to exceed almost 2.5-fold the rates achieved in the previous 5-year planning period: not 6 percent, which is what it was, but 14.4 percent. In large part this will allow us to give up imports of those foods which we can (and must!) produce ourselves as we improve the supply to the public: grain, meat, and butter.

[Question] You will agree, Abel Gezevich, that a leap from 6 to 14.4 percent is a rather complicated affair. Especially since our previous experience shows that it is easier to plan high indicators than to achieve them. After all, in the last 5-year planning period our conceptions were quite bold and formidable. Yet we have calculated the end result--only 6 percent.... Now we say: the weather kept us from doing what had been planned....

[Answer] The adverse result of prior years has convinced us that unless revolutionary measures are taken in the agricultural sector, all of our bold plans will prove to be nothing more than sweet dreams.

We have taken emergency steps toward radical reorganization of the agrarian complex, we have eliminated a number of ministries and established a new

system of management in rural areas, we have introduced a fundamentally new economic mechanism, and we have placed our reliance on the collective contract, on the family contract. We are setting up the agro-industrial associations.

We have sharply expanded (in any case we are trying to expand) the independence of the units at the lower level, we have put emphasis on intensive technologies which make it possible to obtain high stable yields regardless of nature's caprices. We have very rapidly increased capital investments in all areas related to preserving and advancing products to the consumer: in the system of procurements, storage, and processing the harvest....

[Question] Nevertheless, judging by our stores, it cannot be said that we have turned the corner in this respect. Perhaps the reason for this is that we have stuck to our old habits and have not followed things through to the end?

[Answer] It is really still early to talk about a radical turning of the corner. The phrase itself "turning the corner" implies that the process is irreversible, that there is no going back. At present it would be difficult to speak of that with full confidence. Nevertheless, there has been a substantial change in this area.

In 1986 we increased the production of farm products 5.1 percent. Roughly speaking, this is almost as much as during the entire eleventh 5-year planning period. At the same time, the largest growth was achieved in the most difficult branch--animal husbandry, which previously was marking time. In that branch they have started intensification: having culled the dairy cows with low productivity, they have been able to increase the feed ration for the herd, which has been yielding good weight gains and milk production. And they have achieved a result even though the year has not been easy one with respect to weather conditions. Still better growth has been achieved in this branch in the months of this year so far.

So that restructuring in our agro-industrial complex is already yielding definite fruits. Although there is still much that has not yet been completed and not brought to its logical conclusion. Everything is not yet as we would like it. There have been many things that have gone wrong and a great deal of confusion. The administrative approach has been predominant as in the past, and the rights of kolkhozes and sovkhoses have in fact been diminished. Restructuring is a painful process, and the shuffling around of personnel always results in some loss of management. But on the whole the process that has been taking place needs to be judged not in terms of words, but in terms of results. There is already a turn for the better. By the end of this 5-year period we should see a radical turnabout.

[Question] Abel Gezevich, if you look at this turnabout with the eyes of an ordinary purchaser, what do they see in food stores?

[Answer] First of all, a normal selection. In a butcher shop--several dozen different products: various types of sausages, frankfurters, fresh and smoked hams, a wide assortment of meat, poultry, and edible offals.

[Question] A bit more than one can believe....

[Answer] This must be mandatory. But this problem cannot be solved solely by a growth of production, by changing the assortment, by improving the storage, restructuring, and so on. We will not achieve full satisfaction of effective demand until we have solved the problem of prices. Now the state retail price of meat is half of its production cost. For every kilogram of meat sold to the state sales network, the state actually subsidizes the customer 3 rubles, and for every liter of milk--20-30 kopecks. All the products of animal husbandry are subject to state subsidies in our country, amounting to nearly 50 billion rubles a year. This situation puts the various regions of the country in altogether unequal positions. Highly paid categories of citizens, who purchase more meat, receive a threefold larger subsidy from the state than families which are not well-off, and this is a social injustice. The subsidies are collected from a common pocket, but food stocks are distributed in parts which are anything but equal. This results in inefficient use, since any price that does not reflect a product's true efficiency results in its inefficient use.

In other words, we are faced by a complicated, complex social problem, and there is no way we can get around solving it. And it is clear that the question of the reform of retail prices has been included in the system of measures for restructuring management which were taken up in the June Plenum of the CPSU Central Committee.

A second equally, and perhaps even more difficult problem is meeting people's needs for industrially produced consumer goods and services. During the last 5-year planning period the production of consumer goods rose 20 percent and that of services 25 percent. In the present planning period, according to the plans available, we are trying to raise them another 31 and 50 percent, respectively.

But, as in all spheres, quantitative indicators are not the most important thing here. The quality of consumer goods and services is the problem of problems. It will not take us far afield if we look at the simplest example.

In 1985 we produced 788 million pairs of leather footwear, and the United States only 300 million. If this is put on a per capita basis, this would be 2.8 pairs per person in our country and only 1.3 pairs for the Americans. There are heaps of shoes in their stores to meet every taste and relatively inexpensive. We can also be said to have heaps of shoes, the shelves are loaded. But, to put it in crude terms, there is "nothing" to buy. These shoes have been on the shelf because they are not very comfortable, they are not stylish, and they are not good-looking. If in fact they are purchased, this is only because there is nothing else. And even when they are purchased, they are not always worn. But when at the end of the month or the quarter some import is "thrown on the market" to "fulfill the plan," then you cannot



get to the counter. To speak frankly, our footwear industry is to a large extent doing nothing more than converting the leather and materials.

[Question] Again the notorious cost-intensive character of production and the dictate of the producer over the consumer?

[Answer] Once such principles lie at the basis of our economy, they treat all sectors the same--those which melt metal and those which sew women's boots.

But let us get back to quality. In many cases it is horrible in our country. Year after year we are losing the advantages and positions we once had in this respect. Just think back to the fifties. True, our things were not so beautiful or so stylish as those abroad, but still any of our things was more durable. The ugly domestic radios played for decades. Our automobile, the "Pobeda" (you feel a thrill when you see one on the street), was not so stylish or speedy even for its time, but it was distinguished in its strength and its reliability.

In the mid-fifties, immediately after I graduated from the institute, I bought my mother a television set in the GUM. Black-and-white, with a small screen. It worked for 20 years or so--and nothing went wrong with it. And our first refrigerators, the "Saratov" and "ZIL"? After all, earlier we did not even know there was such a thing as a household appliance repairman. We never called one because nothing ever broke.

And now? It is a terrible thing: every year in Moscow alone more than 2,000 color television sets catch fire. Houses go up in flames along with them. That is exactly what caused the last fire in the "Rossiya" Hotel. Is it not a crime to develop and manufacture a television design that becomes something that causes a higher risk of fire?

And our "Volgas"? It is in such need of modernization and of updating to a new model that many countries have prohibited its import. It does not meet any safety requirements which an up-to-date automobile must meet. Nor at the same time does it meet ecological requirements which are now being applied to motor vehicles. It pollutes the environment to a considerably greater degree than is allowable for models in its class. Gasoline and oil consumption of our "Volga" is extremely high. It lacks comfort and features. With respect to this indicator it is inferior to foreign automobiles even in the small class. It is quite clear why many states do not allow it to be imported.

I might understand the people in Gorkiy if they had designed and begun to produce this automobile some 20 years ago, when an automobile had to meet different requirements. The old model, they might say, got stuck on the assembly line. But that after all is not the case! They have just modernized the "Volga," now at a time when international standards have been adopted throughout the entire world with respect to safety, the level of ecological purity of exhaust gases, and so on. That is hard to beat for irresponsibility!

[Question] What do they say by way of justification?

[Answer] What does it matter what they say? That is beside the point....

[Question] But still, Abel Gezevich? After all, you surely have talked to them on that subject?

[Answer] Many times. They understand nothing or pretend not to understand. They say: those people abroad are simply finding fault with our automobile....

Quality is our most acute disease. You come upon the signs of it at every step. Take the housing built before the war or immediately after it. When it was built productivity was perhaps not so high, and the dwellings themselves were not distinguished by particular comfort and conveniences or any sort of refinements like loges and spacious lobbies and the like. But the houses were warm. In an old house can you imagine a seam freezing so that recently installed plumbing breaks, water is coming from somewhere, and the radiators leak because the pipes were just stuck together any old way? This happens now on a large scale. The new tenant's first concern after he has received the keys to the new apartment is to repair it.

And yet we always distinguished ourselves by the reliability and strength of what we made.

The complicated period of our development which has been analyzed in detail in the speeches of Mikhail Sergeyevich Gorbachev at the January and then June Plenums of the CPSU Central Committee was a time of stagnation, a time of apathy. The point is not only that we produced less output than was needed and the rates of development dropped off. This was a period (especially the 10th and 11th Five-Year Plans) of a pernicious irresponsibility, of do as you please, when certain principles which in the past had been "sacred" were violated: conscientiousness, a respectful attitude toward work and discipline. That was the time when the disease appeared, the disease which is sometimes referred to as "universal electrification": "Everyone gets a little flashlight bulb." That is also when our quality began to decline, and social erosion was evident.

In order to correct the situation we have been forced to resort in the very recent past to extraordinary measures which ought not to be taken under normal conditions: We have undertaken to force prices down on all substandard products. Bad products are not subject to certification at all. Those which have not been brought up to the Quality Emblem and the first-quality category will have their prices reduced by 30 percent without any talk or discussion whatsoever. If a product has somehow reached the first category, but has not risen to the superior category, the state first reduces its price by 5 percent, then 10 percent, then 15 percent. Profit is taken away from the enterprise, and the collective is deprived of its bonus. This economic pressure has to yield results....

[Question] But why not entrust that to the market?

[Answer] At present there is no such market. Since the shortage and the dictate of production still exist. The consumer is forced--though to a lesser

degree--to acquire an unsuitable combine, an outdated tractor, and many other things--there is nowhere to turn, there is no choice.

Light industry and the trade sector have been converted to the new economic system for the conduct of economic activity. Its purpose is that the trade sector should not be motivated to order things which are bad, to build up inventories, since its workers will pay for this with rubles from their own pocket. This forces the trade sector to order only those goods which are in demand. And that means that industry will in turn be forced to operate only to fill the orders of trade and to change its product list according to the situation. But so far everything is not being achieved in this respect. We have not managed to really make the income of work collectives dependent upon the end results of their work. But on the whole we are on the right track here. Inventories are shrinking, and the assortment is changing more rapidly.

In general a rather painful process is taking place.

But economic measures alone have proven to be inefficient to raise quality in this stage. We have been forced to resort to direct administration--state acceptance. This coercive temporary (so long as the consumer has no control) measure has put many enterprises in a state of shock. The first results show that the quality of the products being produced has improved, although unfortunately, so it seems to me, state acceptance has not altogether managed to extricate itself from the pressures of the producer. The fact that the personnel of the state acceptance unit are on the rolls of the party and trade union organizations in the enterprises and are thus in a disciplinary and material dependence (vacation accommodations, places for their children in kindergartens, housing) on them and the local authorities has not been helpful to the cause.

Poor quality is the worst way of wasting human labor, raw materials, and capital under the guise of some sort of activity. An illusion is created of frantic work, and the result is miserable. This has a corrupting effect on people. The economic question takes on a negative political coloring.

The press has written time and again that scissors for hairdressers are not being manufactured in our country. More accurately, those that are produced do not cut, and we have to buy scissors abroad. How arrogant can you get!

The real attitude toward man is manifested in the quality of consumer goods. It has to be judged not in words, but in deeds. We have a habit of unceasingly reporting on every occasion that children are a privileged class, that the attention of the entire nation is fixed on them, that goods for children are much less expensive in our country than those for adults, and so on in the same spirit. But take an elementary children's bicycle, and you will immediately see the price of our wonderful declarations. At one time I was buying them for my son and there were five or six of them, and I know from my own personal experience that the construction, the metal they were made of, and the assembly were all below standard. The chain kept slipping off, the rims got bent, the screws would come out, parts would fall off. And yet it would seem that nothing could be simpler than a child's bicycle.



[Question] Saturating the market with a variety of quality goods has always been our insoluble problem. And yet now you talk about this, which is something we are all accustomed to, as though we had reached some kind of critical limit....

[Answer] That is after all the case. An immense gap has now been formed in our country between effective demand and its physical counterpart--and that gap is amounting to tens of billions of rubles a year. Some of the money is going into passbooks of savings accounts (this amount has already reached approximately 250 billion), and some is being stuffed into pitchers. People buy things they do not need--they have to do something with the money.... This gap is very dangerous. Not only because it disorganizes the circulation of commodities and devalues the ruble in real terms (if you cannot buy what you need for the ruble, if you're forced to spend it on any substitute that is offered, then what is that ruble worth?). There are still worse consequences. The main one is that the worker's material incentive is undermined. There is no point earning an extra 10 or 20 rubles, since there is nowhere to spend them to any benefit. It is far more important not to earn that money, but to get a job in an enterprise or institution which has a store, a lunch counter on the grounds, where you can buy things that are in short supply. Where there is a shop for distribution or a service shop not open to the public. Where they are more generous in issuing vouchers to rest homes. In general a psychology is beginning to develop that the important thing is not wages, which in many cases are not a standard of the quality and quantity of labor, but the important thing is to step over into that zone of socialist property where you can derive some gain.

Haven't you ever thought about why strong men work as chauffeurs of "personal" automobiles? There are hundreds of thousands of such automobiles in the USSR. In no other country is there such indulgence. If in the West personal chauffeurs are in fact assigned to some organization, then it is the very top managers whom they drive: the presidents of the largest banks and companies. All the rest of the top people have to drive themselves.

But let us go back to our chauffeurs. Most of them have a first-class license and they could work as lathe operators in the fifth or sixth skill category, receiving a minimum of 250-300 rubles a month along with bonuses. But they are satisfied with 130-150 rubles when the average wage in the country is 190 rubles. Why? After all, to obtain a first-class license one has to study, to improve his qualifications, and you have to have a very long perfect driving record to move up from third class to second and from second class to first....

But the point is that they have "crossed the bridge" into that realm of socialist property where an automobile owned by the state has become a lucrative work tool. While the "boss" is attending a meeting somewhere, is in conference, or is managing, his driver, who has the automobile at his disposition, does an errand for a tip, takes someone somewhere, does a repair, not to mention using the automobile for his own personal use. I do not want to speak badly and in general about all drivers of "personal" automobiles, but it is an indisputable fact that this phenomenon has become ubiquitous.

This attitude toward socialist property seems sometimes to be provoked by absurdities in the established system of remuneration. There are entire spheres of the national economy (trade, the food industry, especially meat combines) where unjustifiably low wages have come about historically, wages which would seem to assume in advance that the personnel of these spheres will have additional income "on the side": they will take something, carry something away, charge extra because of the shortage. It is in any case not clear how one can live on such wages.

That is a very dangerous phenomenon....

[25 Jul - 1 Aug 87 pp 12-15]

[Text] [Question] Let us assume that our market is saturated to sufficiency with all the necessary industrial goods, foodstuffs, and also services--what then?

[Answer] Then your well-being will be determined by your earnings, and you will work with more energy so that those earnings are larger. Then every additional 10 which you earn will be important, because it will have its price.

[Question] But then remuneration must also necessarily correspond to the quantity and quality of work....

[Answer] Of course.... Saturation of the market with goods and services--that means the end of shortages, which have been the economic basis for mass speculation, bribery, and an abnormal phenomenon like the excessive preoccupation with things. It is no longer necessary to have distribution outlets of all kinds, stores, lunch counters, and restaurants which are not open to the public. Saturation of the market with goods affords a completely different quality of life. You receive, let us say, more than I do, but when there is a variety of goods and services, I can dress almost the way you can. It is must that my suit of clothes will be somewhat less expensive, but it will look the same as your suit, just fine. A wide selection of goods will allow me to make choices with my resources....

[Question] This is in theory....

[Answer] No, this is practice.

In Hungary they have managed to establish equilibrium between supply and demand on the domestic market and in relative terms to saturate it with a variety of goods, and immediately people became much more interested in their work. Saturation of the market is an immense stimulus and material reserve for raising labor productivity. I am not even referring to its other consequences, which have importance to the moral health of society.

I have had repeated occasions to visit that country, and, of course, I noticed things around me that did not directly concern my work. For instance, I was amazed that an institution, even at a very high level, did not have its own dining room, it was not necessary: nearby there were a great number of

restaurants, cafes, and little eating places where you could get a good meal quickly. The "Berezka" stores do not exist there--everything can be purchased in ordinary stores.

So this is not theory but practice, although, it has to be said, it is not something we are very used to.

One evening on the street in Budapest I met an old friend, one of our rather important leaders. He was returning from some reception (the incident occurred just before 17 May 1985), and he was just a bit tipsy.

"Abel," he said to me excitedly, "this is the first time I have been here. They have everything in the stores, what kind of socialism is this?"

Just think of it: the man sees socialism in terms of chronic shortage and distribution of goods. This is an entire ideology!

But although my acquaintance was a leader, he was not at such a high level that he could have influence in this area. But I happened to be invited to a very serious conference at which a comrade in a post of very great responsibility (I will not name him, since he has already been relieved of his post), who was addressing economists, began to instruct them and to criticize Hungary and its experience in very severe terms:

"You can just imagine where this has led? Anyone can buy what he likes in a store. Can you imagine what that means?"

At this point G.A. Arbatov, member of the academy, could not restrain himself, and he interjected:

"Well, where does it lead? That is in fact socialism when everyone who has money can buy what he wants. Provided only that the money has been earned with honest work...."

You can imagine how it went from there!

[Question] Abel Gezevich, the abundance of goods in Hungarian stores really leaves an indelible impression on our countrymen. But the prices, to be honest, are excessively high. Moreover, they are rising constantly. Recently they went up a bit more....

[Answer] To understand how the rise of retail prices affects the well-being of the population one needs to know how much its income has risen over that period and on what basis. All of this is not so simple as it sometimes seems. There are serious difficulties in the Hungarian economy's development. And the Hungarian comrades are coping with them.

As for our system of pricing, it is simply defective, since it took shape in the context of shortages, when there was no need to take demand into account: wherever you set the price, that is what they would pay for the commodity. But prices are only one sphere in which significant changes are necessary. There are even more fundamental things: In our country the very system of

distribution of income and expenditures is distorted and is in need of major reform.

[Question] Please explain in more detail....

[Answer] If you take the money income of our population, approximately 75-80 percent of it goes to purchase goods. The income tax in our country is low and not differentiated: 13 percent is the top rate. There is no country with such a low ceiling. Rent and utilities account for about 3 percent of expenditures. We do not pay for education nor for health care. The sphere of services in our country is so underdeveloped that even if you want to pay, there is no one you can get to do it. We spend almost all of our earnings, then, on goods, and, of course, there is a shortage of them.

The reform I have been speaking about does not signify that now retail prices have to rise and thus take from people a portion of their earnings and reduce their purchasing power. We are a socialist state; that strategy is not open to us. If we raise prices substantially on staples (meat, oil, bread, for example), we must offset all of this by an addition to wages, pensions, and scholarships. Otherwise this will not be in keeping with the policy of the party and government of increasing the prosperity of the people.

[Question] As far as I understand, the reform which you are saying is necessary must thus change the pattern of personal expenditures, which will considerably increase the payment to be made for all services or, say, material goods which previously were furnished us at minimum payment or altogether gratis. How do you combine that principle with the assertion that such a reform will improve the well-being of the people?

[Answer] You have spotted a contradiction here. Actually it does not exist. A group of well-known Soviet economists specializing in the field of social welfare have long been deeply concerned with this problem: Zaslavskaya, member of the academy, Shatalin, corresponding member, Rimashevskaya, doctor of economic sciences, Mayer, Rakitskiy, and others. I am attempting to paraphrase the conclusions they have come to as a result of comprehensive and thorough research. I am referring to them because, first, I entirely concur in their point of view, and second, so as not to attribute their works to myself, since my personal interests lie in somewhat different fields of economics.

So, their idea comes down to this: that we need a new social approach to solving the problems of prosperity. So that without giving up the advantages our society has achieved in this area we might be able to attract the resources of individuals for the purpose of raising their standard of living.

For example, it is well known that we have the lowest rents. In the capitalist countries housing (comparable to ours in area and level of comforts and conveniences) costs tenfold more than in our country, and a sizable portion of total family income goes to pay for it. But here there is a surprising paradox: If you take the various components of the material adequacy of our population, then it turns out that the greatest lag has been in housing. A man may have a color television set, but at the same time he



does not have an apartment. A third of our housing stock does not have sewer service and water supply. In the yard of a dwelling whose heating is done with stoves, where there is no sewer service or water supply, you may see the owner's automobile. And in addition he intends to buy a video system for his television set. This is clearly out of line. We have more owners of private automobiles than owners of telephones, or at any rate the ratio is close. But these things are not comparable in price.

Everything in this sphere is extremely distorted in our country. On a per capita basis the country has about 16 square meters of effective residential floor space. But this is a highly differentiated indicator. Approximately 17 percent of the families--and that, I wish I were wrong, means some 40-50 million persons--they are all living in snared apartments or dormitories. Often the husband is in one, the wife in another, or at best, they are in one little room, and they are even bringing up a child.

On the one hand there is this extremely acute need for housing, while on the other about 250 billion rubles are in savings accounts, and some of that people would be willing to put up if they could just improve their living conditions. But the surprising thing is that there is a problem in buying a cooperative apartment. There are a million families on the waiting list. But if there were an open opportunity to buy housing for one's own money, there would be tens of millions of people on the list. You have to think of something clever, work something out in order to spend your own money. It boggles the mind.

People have to be given an opportunity to buy any apartment and to redo it to their own taste. To build their own dwellings, cottages, little huts, and gardens and orchards, which would suit their own tastes and needs. You can imagine how much money would be withdrawn from accounts and taken out of the pitchers if an opportunity were afforded for them to solve this problem, the housing problem, which is the most important one for every family. This would sharply raise the level of people's well-being and would considerably ease the burden of the state, which every year is spending very large resources to build up the housing stock.

[Question] There is money, there is an acute need for apartments--what is the hangup?

[Answer] It is our thinking that is the hangup. Many people believe that a rise in the payment for housing would do away with one of our chief achievements in the area of social welfare. That is not the case at all. Moreover, it is here that our desire for social justice, which we have been talking about tirelessly in the recent past, will be given a vivid material confirmation.

[Question] Fine. What will this look like in practice?

[Answer] At first some sort of fixed proportion of housing will have to be established (we will call it the social norm), which the state can furnish its citizens at a given stage of development at a very small rent, which is now the case. Of course, the area of that housing (let us suppose it is 20 square

meters per person) must provide family members modest, but altogether normal living conditions. The size of the apartment beyond that social norm must be paid for at the real cost of the housing.

[Question] How much would that come to?

[Answer] I have made some calculations which show that the cost per square meter of housing in Moscow varies (depending on the building's comforts and conveniences) from 2 to 4 rubles per month. On the average, then, 3.

[Question] That could be a fair amount for the extra space....

[Answer] Of course. That is why we must take a rather flexible approach to the general procedure. Suppose that benefits are envisaged for veterans, retired people, or let us assume, people living alone in one-room apartments in projects where they have extra space. After all, you cannot cut away the extra space.

This approach puts citizens on an equal level in obtaining certain guaranteed social welfare benefits. After all, whatever the individual wants to obtain over and above the social norms he must pay for with rubles at the full price.

[Question] Still, Abel Gezevich, the resulting situation is not altogether clear. Every year, in every 5-year planning period, we have talked about immense housing construction, and now we admit: our greatest lag has been precisely in this area....

[Answer] In each of the last four or five 5-year planning periods we have built 10 million apartments and separate dwellings. This is a great deal on the face of it. But this is extremely little for our population of 280 million (approximately 65-70 million families), especially if we take into account that along with that new construction we are retiring a large volume of dilapidated housing from service. It is easy to calculate that at the old rates (which recently were considered splendid) solving the housing problem will take some 50 years. That is an intolerably long time.

We need to increase housing construction financed from all sources by at least half. That is what we are striving for. Whereas in the previous 15 years 1.5 billion square meters of housing were opened to occupancy (including wooden structures), by the year 2000 plans call for 2 billion square meters, all of it with comforts and conveniences. Performance of this strenuous program is quite realistic, although it requires certain efforts and an expansion of the construction capability.

And, getting back to our topic, I would like to emphasize once again that no new construction will facilitate a solution to the problem that is fair from the standpoint of social welfare. After all, even now, if you work out the per capita square meters, our situation with housing is not so bad. Where we "stumble" is in its distribution: Some people have one-half or one-third of the norm from the standpoint of public health, while others have disproportionate surpluses. Moreover, the latter need not have originated from some hanky-panky (although that exists as well). In one case adult

children, as they raise their own family, have left the home of their parents. In another the children have inherited an immense apartment after the death of their parents. There may be various causes--there is one essence: the surplus space, which under the law on the inviolability of housing cannot be taken away, is not a particularly heavy burden for the family budget at the present low rent....

[Question] And thus, to use your own words, a product whose price does not reflect its true efficiency is wasted....

[Answer] It can also be put that way....

[Question] But still, given the present shortage, the extra space can easily be turned into that realm of state property, which you can get to by deriving income you have not earned by letting rooms, parts of rooms, and so on. In any case, until recently this was encountered everywhere. And even now it still exists....

[Answer] Unfortunately, it does, although attempts are being made to combat this. I think that this effort would be considerably more successful if we left control over the extra housing space to the ruble....

[Question] Let us assume that from the financial standpoint we have worked out the housing problem. But what will happen to such social benefits as health care and education, which we long have been accustomed to receive gratis?

[Answer] The pattern remains the same: up to a certain level society guarantees you the service free, everything beyond that is at your expense.

For example, at present you do not pay even a kopeck for the time you spend in the hospital. You are given a place in a ward with several people. They treat you and feed you. They prescribe various treatments for you, they run analyses, they perform operations if necessary--all of this financed by the state. But at the level which it is able to provide to all citizens. If that average level does not suit you and you want to stay in a separate room with a color television set, and a telephone, and to have additional and more expensive food--fine: it will all be furnished for adequate payment. If you do not want an ordinary section physician, whose services are paid for by the state, to make a call at your home, and you want to be treated by a more experienced physician with a well-known reputation, or, still better, you want to have a family physician from among those working in a polyclinic where services are paid for--that is fine, you not only will be furnished their highly qualified services, but you will also get a bill from that polyclinic.

Take you and me--we are men on the heavy side, to put it mildly. It would not mind paying the money to get in shape. Suppose I went to a sanatorium during my vacation where experienced specialists guaranteed me that if I followed all their orders, I could lose 15 kg in a month. And then in Moscow I would like to pay to have advice from a physician or physical fitness expert who would help me to continue this process....



[Question] In my opinion, your desires go beyond the limits of reality....

[Answer] I know that we have nothing of the kind in our country, nor even close to it.

This past winter I went on vacation to Kislovodsk. I set myself the goal of slimming down. I worked out my own system: a diet, every day I hiked up into the mountains, I drove myself to the limit. In a month I took off 10.5 kg. But this was all personal effort. My commendable sanatorium could not create the conditions for exercises, say, with gymnastic apparatus or other training equipment, since the physical therapy and physical fitness room was open during those hours when I had to be hiking. One or the other had to be sacrificed. But if I chose the exercise room, I found that the physical therapist "would leave the room," that she was utterly indifferent to the fact that she had someone there doing exercises.

[Question] You cannot pay her to arouse her interest....

[Answer] Privately, perhaps, I could have, but this is unlawful, distasteful, and bad....

At present all of our budget expenditures for health care comprise more than 18 billion rubles per year, which is about 3 or 4 percent of the national income. This is the lowest share of the national income among all the advanced countries in the world. It seems to me that our people might give a great deal to maintain their health out of their personal savings.

The situation is similar with education. If I want to give my child something over and above the school curriculum (whether it be physics, mathematics, a foreign language, or playing the piano makes no difference), I must pay, that is optional. Of course, there have to be special funds and special schools for gifted and talented children. The state must be responsible for financing their studies and in some cases also for their board and room, since every talent is our common national property, and we must create particular conditions for its development.

Going back to the original idea about the need to change the pattern of personal expenditure, I would like to say that we must bring the share of goods in those expenditures from 80 percent, roughly speaking, down to 60, and in time even 50, while at the same time sharply increasing outlays in other areas: the sphere of services, housing construction, health care....

[Question] You have put our health care in the same basket with the country's most acute problems. Although we somehow have become accustomed to think that at least in something, at least in that area, all is as it should be....

[Answer] That mistake was based on an absence of objective information. Let us look at the facts. In 1986 the average length of life, which is now 69 years, rose in our country for the first time in the last 20 years. The very fact that it has not risen in all of 20 years is depressing. But it is still more shameful that with respect to the average length of life we lag substantially behind many advanced countries when back in the sixties we were

on a level with them. While by improving their health care they have lowered infant mortality and especially the mortality of men during their working years, the opposite processes have been taking place in our country.

Quite recently, thanks to the most serious measures to combat drunkenness and alcoholism, we have managed to turn that trend around. It can be confidently said that this has saved many tens of thousands of lives, mainly men in their working years.

We have begun to pay more attention to protecting infants and mothers, to lengthen pregnancy leave, expanding benefits for mothers with young children, which has made it possible to stabilize and even reduce infant mortality, which remains high.

But it is not just a question of such striking indicators as the length of life, infant mortality, or the death rate in particular population groups, but in the overall state of health of the country's population. It is precisely its severity that causes the greatest concern. In my view there is at present no more baneful problem than a radical improvement of health care. That is why the CPSU Central Committee and government have recently come back to these problems repeatedly in their decrees. The problem of health care is a matter of such paramount importance that it seems to me that a comprehensive nationwide program is necessary to solve it.

It must be understood that the improvement of health is not just a question of medical treatment. Human health is formed even in the mother's womb. That is why the state of health is determined to a considerable extent by her way of life, her attitudes, the quality of her nutrition, her housing conditions, and so on. In other words, an entire set of measures related to protecting mothers.

More concern needs to be paid to the health of the adolescent generation, since today's child is tomorrow's adult. And here there are a great number of aspects that need attention: the conditions in children's institutions and schools, the opportunities for physical education, athletics, and tourism.

Environmental protection must become an inseparable part of the comprehensive health care program.

All of our measures in this area must be directed toward making health care an advanced sphere of our economy, which, of course, requires a sharp increase in appropriations. The earnings of medical personnel are being substantially raised at present. But we need to create highly advanced branches for manufacturing medical equipment, to perform preventive measures of various kinds, and many, many other things.

[Question] If we break down the huge problem of "health care" into a number of its constituent "subproblems," then which of them in your view is causing the greatest economic harm? Of course, in making that calculation we will bear in mind that human health is more precious than any money, beyond everything else....

[Answer] I consider working conditions to be that kind of immense problem. They are indicators of the standard of living. They are inseparably bound up with such phenomena as the accident rate, occupational illnesses, the worker's general feeling of well-being, not only physical, but also his morale. They have an impact on the productivity and quality of labor. Thus conditions have their social welfare aspect, their health aspect, and their economic aspect all at the same time.

Unfortunately, underestimation of all of this has contributed to a growth of adverse processes in our economy over the last 2 or 3 decades. It would seem that after all the money we have poured into construction of new enterprises, with all the highly productive new equipment we have put into service, we now have more people doing manual labor in our country than 30 years ago!

[Question] Why?

[Answer] Because everything has been done disjointedly. We have been investing money without clear-cut social priorities. If just 10 percent of those amounts went for eliminating heavy, monotonous, and injurious work, we would have had a considerably greater success.

Progress in our machine tool building has been one-sided. We have been trying to increase the productivity of machine tools, machinery, and units so that they would give us more workpieces, billets, and parts. But proper thought was not given to the work done with that equipment by the person assigned to it.

When we increased the capacity of the machine tool, the rate at which the spindle turned, and the depth of the cutter's bite, we managed to get a particular part machined several times more quickly. Which means that the worker had to remove it from the machine and insert another one several times more rapidly. He was forced to move from place to place a large number of workpieces and finished parts. The rise in the productivity of the machine tool detracted considerably from working conditions.

The consequences of this discrepancy are well known: previously the machine tool operator was a member of a privileged occupation, but now there is a chronic shortage. As a consequence we cannot convert our machinebuilding enterprises to operate in a full two shifts. Young people are not choosing to be machine tool operators, although their earnings have risen several times over. An immense stock of machine tools is standing idle, tens of billions of rubles of capital investments have thus far been frozen. All of this is because we did not understand and did not appreciate how necessary it is to mechanize the work process in a comprehensive way.

Incidentally, even now this is not clear to everyone. Take such an immense sphere as materials handling, in which millions of workers are employed when you take them all together. Their work is heavy and monotonous, and it is not prestigious. Mechanizing it should be seen as a priority task of our society. But it is not likely! The Lvov Lift Truck Plant, practically the only manufacturer of such machines in the country, leads a pitiable existence. Talk about its reconstruction has gone on for many years now. They managed to

build a building on a new site which is now manufacturing old and unsuitable lift trucks which are 20 years old with low functional capabilities, and the working conditions there are difficult. At the same time up-to-date and highly productive lift trucks have been developed and have already been tested. But they are not being put into production. Minavtoprom, to which the Lvov plant belongs, treats it like a stepchild.

I have been to Lvov several times and to Kiev, and I tried to convince the oblast and republic leaders:

"Remember that in the Ukraine there is no facility more important to the country's economy than the lift-truck plant. It could annually release a million men from heavy manual work!"

All in vain.

At present 50 percent of our workers and kolkhoz members are employed at manual labor. By the year 2000 this figure has to be brought down to 15-20 percent, and physically heavy and monotonous work must be entirely eliminated. It will not disappear all by itself. A program has to be thoroughly worked out, and there has to be the material basis for carrying it out.

[Question] The examples you have given seem so obvious that there could not be two opinions about them. But actually there are.

Why is that the case?

[Answer] It has become a deep-seated habit in our country to underestimate social welfare factors, to consider them something secondary, to save on them. And that even when people's bad mood (not to mention their health) caused by the working conditions results in immense material losses. Go to any plant, you cannot pass through the grounds, the shops are dirty, the work stations are dirty, the lockers in the dressing rooms are in a horrible state, in the shower room it stinks of some kind of mold and there is no hot water, the  
a meal in the plant dining room.

toilets are unsanitary, and you cannot eat

No one cares that the worker at his machine tool is just dragging, or what kind of support he has. No one, as they say, pays close attention to him. But if there is no life for a man at the enterprise, then for him work is only a question of serving time. There at his machine he is not thinking about his job, but about getting home, sitting down in front of the television set, watching his favorite program. How he will go fishing on Saturday and Sunday. How he will go on vacation in the summer. Values begin to be overestimated. Gradually the entire circle of his interests begins to be rounded off at the apartment, the machine, the summer cottage, the vacation. His job, with which only unpleasant feelings are associated--is confined to a definite space. How is it possible to talk about productivity and quality?

A man has to be interested in his work, it has to be made attractive if his work is gradually to become a vital need. Of course, this will be fully achieved in the future, but elements must be maturing even now.

[Question] Do you have favorable examples in this regard?



[Answer] Here is one: Petr Vasilyevich Buderkin, general director of the "Omsk-Shina" Production Association, an illustrious figure, is a real fanatic about social welfare. Although the technology of building tires is one of the most difficult, and the Omsk plant is a rather old enterprise, Buderkin has had such success that they have practically no personnel turnover. Long before restructuring, before the decisions of policy-making bodies were adopted in this regard, he put the interests of the real man in first place. I will not run down everything that was done there in that regard. I will only speak about what would seem to be a trifle. Building tires is a continuous operation, and the lunch counter in the shop is open around-the-clock. Should a man get tired and want to rest a bit, drink coffee or tea, have a snack, he is always replaced at his work station for a quarter of an hour or so. And that is concern without high-sounding rhetoric.

The trouble is that there are not so many such examples. The more usual thing is for man to be looked upon as a labor resource in the same class with physical resources, with equipment, a kind of appendage without which production cannot take place. But he is a social being who has his own interests and needs, and they need to be examined and understood.

[Question] At the present time, when the problems of restructuring are being discussed, the question of education rises rather frequently. In the schools, in higher educational institutions, and vocational institutions. What in your view is most urgent here? Where should our attention be turned first?

[Answer] The main task is a thorough retraining of personnel to meet the requirements of the scientific-technical revolution. Many people do not have a proper understanding of the scientific-technical revolution, reducing its content merely to the updating of equipment and technology, to the integration of science and production. But the scientific-technical revolution also has another and perhaps even more important part--the revolution in education, in the training of personnel. For the new technology and equipment there must be a new worker, who is better educated, more sophisticated, more professional. A worker with a highly developed sense of self-discipline. New technologies constitute a complex technological chain of links that are solidly connected to one another. If technological or work discipline is violated in one section, the loss is suffered not only by that particular section and that particular work station, but by the entire technological chain as a whole. The losses are multiplied many times over.

This fact means that the worker must be able to work as part of a team. Moreover, among all the indicators priority is given to the quality of work and the quality of the product produced.

[Question] But requirements like these have always been in first place....

[Answer] I do not deny it. But the scientific-technical revolution raises them to a new and higher level. Previously the part you made or the assembly you put together was inspected after you by the technical inspection department. At the present speeds of processing lines it is not able to do this. The worker himself must monitor the quality of operations performed.

Because of its complexity, its expensiveness, and its high future responsibility in operation, the present product requires particular thoroughness and accuracy in manufacturing. Irresponsibility at one work station nullifies the work of the entire collective employed throughout the technological chain.

I will explain this with an example.

On an immense auto assembly line in Japan on which hundreds of people are employed there is a button at every work station with which the conveyor can be stopped. If the worker sees that he is not able to perform his operation up to standard, he must halt the conveyor and do everything required by the technology. Hundreds of people engaged in assembly will stand and wait while he, to put it crudely, tightens his nut the necessary number of turns. He does not have the right to fail to tighten it completely because the line moves too fast. Can you see the degree to which priority is given to quality?

At first I thought that the button had merely psychological importance and was never pressed. After all, it would be a blow to vanity, and in addition one could show oneself in a disadvantageous light because of his slowness. But recently when I was on an official trip to Japan I visited the assembly line in a motor vehicle plant. It turns out that they do press the button, and how. The assembly line stands idle 10 percent of the worktime for precisely that reason. And that means 10 percent of output that is not produced. But the firm considers this advantageous, since for it the 900 high-quality automobiles are far more valuable than the 100 that would have concealed defects. That is why Japanese vehicles have between about one-fifth and one-tenth as many failures as American vehicles, which is why in spite of the tariff barriers the Japanese vehicles are competing successfully against American vehicles on the American market, in the most automobile-oriented country in the world.

Quality must always prevail over quantity, since ultimately quality is returned in additional quantity. Lenin's famous expression "better fewer, but better" refers exactly to this.

Thus as our society enters a new stage of its development it needs a new type of worker. One who is more literate and who meets the requirements of the scientific-technical revolution.

Unfortunately, in recent decades we have committed many mistakes in the field of personnel training which have led to adverse consequences. Somewhere back in the fifties we had the best system of education in the world. By contrast with other countries, we had quite solid training of schoolchildren in the natural sciences. We had good instruction (for that time) in mathematics, physics, and chemistry (in biology it was scandalous, but that had its own reasons--"the Lysenko nonsense"). We studied history in great detail and our own literature. Foreign literature poorly, that is true.

When our country launched its first artificial satellite, it was a shock in the West. The U.S. public demanded that the president study the causes why their country, the richest in the world, lagged behind in such a prestigious

matter as the conquest of space. An authoritative commission was created, and it came to the conclusion: the reasons for the success of the USSR lay in the Soviet system of education. In 1950 the USSR was spending 10 percent of the national income for education, and the United States only 4 percent. A faster-than-average rise of outlays for education was a tradition of our country back in the time of Lenin.

The conclusions of the American commission had an immense impact on the attitude of the capitalist countries toward this matter. This coincided with the new stage of the scientific revolution, which also demanded better-educated workers. The United States drafted a program for creating 100 centers of scientific superiority over the USSR. For the first time the federal budget began to earmark large resources for education. Its example was followed by local budgets and firms. Over the last 30 years expenditures for education in the United States have grown threefold faster than the national income and have reached 12 percent of its total size. We have not been the only one of the advanced countries of the world in which expenditures for education have lagged behind the growth of the national income over the last 30 years, so that now they have dropped to 7 percent of its size.

But in the end it is not a question of sums of money. The trouble is that the prestige of education has been lost in our country. Try to propose to the graduate of a number of universities that he work in a school, he will be infinitely embarrassed: you see, you have insulted him.

But what luck I had in the Academy of Sciences (I was elected a corresponding member back in 1964) to find there the elderly members, most of whom had begun their careers as teachers. And they were proud of it.

[Question] I recently learned that Anatoliy Petrovich Aleksandrov taught high school physics at one time in the school where Boris Yevgenyevich Paton taught. In time the former became president of the USSR Academy of Sciences, and the latter the president of the Ukrainian Academy of Sciences....

[Answer] Now we have somehow lost the prestige of the sphere of public education. Previously in our country the teaching profession was always held in high regard. The school was always the center around which an interesting life was seething. The school had the best building in the settlement. Alas, those times are gone.

Of course, the school reform will correct that matter. The additional resources the state has allocated are also playing the role. But I think we need to go considerably further. Upbringing and training of the young generation, from kindergarten up through the VUZ, retraining of those who have already completed higher and secondary education have to become a concern of the entire nation. There should not be a single qualified specialist in the country, even though he be a member of the government, a general designer, member of the academy, or plant director, who does not spend at least 1 hour a week or only 2 hours a month in the cause of education (especially that of children).



We cannot entrust the education of all the country's young people just to teachers, to a small group of people (now they are mostly women), many of whom do not have higher education, not to mention the life experience or work experience in sectors of the economy. People who will soon take their places in various spheres of production and management must receive first-hand knowledge even now. Urgent and major steps need to be taken so that our school and entire system of education are given a privileged position. The kind of country we have tomorrow will depend on the kind of people we bring up today.

If over the last 20 years we have managed to develop in such a way as to lose many of our advantages, then the most important and profound cause is that we were poorly brought up.

[Question] With my mind I wholly agree with you. But in my heart there is still the hope: Perhaps things are not really so bad? After all, health care, education, and culture have always been our trump cards. Or perhaps we propagandized ourselves to such an extent that we were able to see everything only in a rosy light? Incidentally, Abel Gezevich, do you feel that our conversation has somehow moved away from purely economic problems without our being aware of it?

[Answer] No, I don't. It is stylish in our country at the moment to talk about social activity, about man's work activity, but after all they depend on his culture, his education, and upbringing. It is ridiculous to reduce the role of culture to merely helping people to do good work, just as it is ridiculous to reduce the role of science solely to a productive force. There are eternal values related to development of the personality, the individual's world outlook, his notion of freedom. That sphere is education, culture, health care, I refer to it provisionally as the industry of well-being--one that is extremely important from the standpoint of instilling in a man the gene of social activity, the corresponding attitude toward work, which is directly related to his productivity, and so on, and so forth--in short, it is related to economics.

Unfortunately, we have always greatly underestimated the sphere of our life and have represented its goals and priorities in distorted form. However surprising it may be, there have been no concepts at all in our country of the "economics of education," the "economics of culture," the "economics of health care." After all, each of these areas does have its own operative economic mechanism, its own system of management, its own standards and rules, its own economic relations. Eclecticism, horrible mixtures--it is even difficult to find the right word. "Flagrant disorder" would be too favorable a description of the situation that has come about. No one has ever been concerned with this. Only recently has a new model been built of the film industry, and an experiment with the theater has begun.

[Question] It is being given high priority....

[Answer] I know. But one thing needs to be understood quite clearly: unless there is a radical shattering of the old attitudes which have outlived their day there will not be success in this area. Take only the wages of personnel

in the field of culture--on the average 130 rubles per month. Now what kind of labor exploit can we expect from a man with earnings like that?

I recently had occasion to examine the problems of health care economics. Here again, nothing has been done as yet. Mikhail Zhvanetskiy was right when he said: "We surpassed everyone in the number of positions, and now we lag in the number of patients...."

[Question] Two years have passed since the April Plenum of the party's Central Committee and a year since the 27th CPSU Congress, a turn for the better is noticeable, but still things are going more slowly than might be wished. It has proven to be more difficult than anticipated. This was in fact discussed at the party plenum in June of this year, as the mass media have been constantly reporting. One gets the feeling that our acceleration is being deliberately held back, that spokes are being put into the wheel of restructuring. In words, to be sure, everyone is unanimously in favor.

Tell us, Abel Gezevich, in your view, in the view of an economist, who finds restructuring undesirable? I am thinking not of individuals, but of groups of people, and to some degree even strata of society. The term "group egoism" has even emerged now....

[Answer] You see, something new is always a struggle, something has to be overcome. New things are always difficult even in and of themselves. Even when you go into the water, no one is standing in your way, but you feel resistance: a new medium. The restructuring which we have begun to carry out is not simply a new medium, but new economic relations, new methods of management. There are, of course, some sort of forces behind them, and they infringe upon someone's interests.

The main thing is what we intend to do in the restructuring of management--to broaden the rights of enterprises, kolkhozes, and sovkhozes. And if someone's rights are broadened, that means that someone else's are being diminished. In taking away the rights from some tier of management, we are taking away its power, some sort of privileges, and often we are in general casting doubt on the advisability of its existence. And there are people behind that entire management apparatus. Just imagine a man who has become accustomed to issuing orders, to holding meetings, to discussing things, to having things cleared with him, and he suddenly realizes that his job and he himself are no longer necessary to anyone. It is difficult to go through that. Of course, these people will cling to the old out of inertia, and they will behave passively toward the new things.

There is also another very interesting group (I refer to them as the "backward people in the economy") for whom it is easier to work in the command and administrative system of management and appointments than in a system of elections by work collectives, in an atmosphere when independent decisions have to be taken. Independence is a very heavy load of responsibility. Rights go with responsibilities. Not everyone wants that.

A third group consists of people who are living on money they have not earned. I am not thinking of pilferers, "nesuny," those who take bribes, speculators,

not even those who repair their own automobiles in the state motor pool without paying. I am not talking about them. We have millions of people who receive wages that do not correspond to the contribution they make in their work. Often they are paid for doing nothing at all. Go to any plant and any institution--how many people are on endless cigarette breaks and tea breaks? They are counted as being at work. In a formal sense this is so, but actually they do little, they are tokens of participation in the work process. The number of superfluous people is especially great in our scientific research and project planning institutes.

[Question] Recently PRAVDA reported that in Moscow alone there are 1,087 scientific research and project planning and design collectives with a total work force of 933,000....

[Answer] A huge army, but sometimes the results are tiny.

And there are a great many people who are receiving more than they are giving to society in various spheres of our life. Under the conditions of restructuring a greater demand is being put on those people, they are being called upon to "earn" their keep. Some of them are resisting this.

[Question] It was no accident that I put my question. After all, we have already made attempts to carry out an economic reform, but....

[Answer] Yes, in 1965 we were quite threatening, and in a number of cases we achieved excellent results. In the 8th Five-Year Plan the volume of agricultural production rose 21 percent, and it exceeded 13 in the 9th. We added almost 35 percent in 10 years in this sector which traditionally has been problematical for us. This is as much as what we would like to add to agricultural output by the year 2000.

[Question] Nevertheless, with all the wonderful results of that reform, it still did not survive. Won't we stop halfway once again this time? Won't it turn out that the notorious group egoism will prove to be stronger than the objective needs of the entire society?

[Answer] In many respects the 1965 economic reform was not successful because it was not entirely well-thought-out, nor was its realization altogether consistent. To be specific, we did not manage at that time to set up a mechanism that operated on the principle that if you worked better, you would live better. At any point, yielding to the pressure of subjective factors, we began to give up the positions we had won. But even that experiment, which ended in failure, showed that under certain conditions we can achieve a great deal. Now we have undertaken something more radical and I think that we will ultimately achieve the goals we have set.

First of all, reality itself is demanding changes. In that sense we already have nowhere to retreat to. There is nowhere to go but forward.

Second, in beginning to solve all our problems we have not been one-sided, but many-sided and comprehensive. This distinguishes the decisions of the June Plenum of the CPSU Central Committee.

If you want to live in a new way, you must subject the past to a harsh analysis, you must attempt to draw lessons from it, and you must try not to repeat the mistakes. The attitude toward the past is a litmus test of the seriousness of our intentions for the future. And the fact that with every party forum we have been deepening our analysis of the past is instructive in this regard.

It is by definition easy to criticize the past. But still it is not such a simple matter. First, we have all been in that past, and that means that we also must bear responsibility for it. Second, endless criticism of the past arouses a natural protest in many people: After all, how much blame can be placed on our predecessors for our own mistakes, is it not time to correct things ourselves? Third, in the past there were not only shortcomings, there were also achievements.

Criticizing the past is in general not a very pleasant business. But if we really decide to enter the future, we must make up our mind to do it. And that is what we are doing now.

To go on, we cannot carry out restructuring without elevating this as a general cause of everyone. Significant transformations cannot be carried out in secret. And the fact that in spiritual life restructuring is going at a faster rate (the economy is unfortunately lagging behind) is a very convincing argument in this regard. Just look at the articles in our newspapers and magazines, the television programs, the moving pictures that have appeared after lying on the shelves for a long time. What acute and burning issues they raise! A few years ago we did not even dream of this!

I recall that in the Novosibirsk Academic City we held a round-table discussion of the editorial staffs of the journals NOVYY MIR and EKO on the topic "Economics, Ecology, and Society." NOVYY MIR was unable to publish the papers of the round-table discussion. We at EKO did publish them. And look where that led! As the editor-in-chief of the magazine, they gave me a dressing down for 3 hours in the office of the Novosibirsk Obkom of the CPSU: How did I dare to publish "anything like that"? They were disturbed above all by the paper presented by Lariy Petrovich Kaznacheyev, member of the USSR Academy of Medical Sciences, who said that the activity of the Kuzbass should be evaluated not so much in terms of the number of tons of coal mined or steel smelted, but according to how people live there: What is the job accident rate, how many occupational diseases are there, what are the manifestations of the high gas concentration, high smoke concentration, and high dust concentration of the area on people's health.

They said to me: What are you getting at? The country needs coal, what has man got to do with that?

And now in January of this year the magazine NASH SOVREMENNİK published a discussion on the same topic in which those same questions of ecology were discussed with such acuteness that our attempts in the past seem like a poor copy. And nothing happened! There were no resolutions from organizations, no punishments. Everything was taken as it should have been.



[Question] But later certain scientists, again in the press, disputed certain propositions of that discussion....

[Answer] Well, fine. The truth can never be arrived at without an open dispute.

Recently I took another official trip to Hungary. It so happened that on the evening before my arrival their television showed an hour-long program made up from fragments of the journalistic programs of our own Central Television. The next day my work schedule was completely disrupted. Wherever I went--to a plant, institution, or to a minister--everywhere I heard one and the same question: "And they are showing that freely in your country?" And they went on to ask for details.

Hungarian television selected far from the most striking subjects which are now being shown in our country. It has now become habitual to us for something recently considered a prohibited topic to be a bold discovery. Which means that we have matured in a spiritual and social sense. As such it will be easier for us to restructure ourselves. It is precisely this new attribute of ours that can guarantee success to a considerable degree. Democratization of our society in the broadest sense of the word is the main condition for the irreversibility of restructuring.

COPYRIGHT: Izdatelstvo "Pravda", "Ogonek", 1987.

7045

CSO: 1820/216

## PALTEROVICH EXAMINES FIXED CAPITAL REPLACEMENT PRACTICES

Moscow PLANOVYE KHOZYAYSTVO in Russian No 6, Jun 87 pp 7-16

[Article by D. Palterovich, doctor of economic sciences, professor: "The Intensification of the Reproduction of Fixed Capital"; passages in all capital letters printed in boldface in source]

[Text] The debate among economists on a number of disputed problems regarding the reproduction of productive fixed capital (OPF) and amortization policy has acquired ever greater practical significance of late because the proposals advanced in the course of this debates are more and more often reflected in programs, planning documents, and specific measures. However, the **FINAL GOAL OF THE REPRODUCTION OF OPF--ITS INTENSIFICATION** is not always considered and correctly understood either in theory or in practice. The most important aspects of the reproduction problem (determining the irrational service life of OPF, the amount of writeoff due to dilapidation and wear, proportions of partial and total modernization, the improvement of amortization policy, etc.) are frequently considered without regard to the demands of intensification.

The occasional result of the economically unsubstantiated approach to the reproduction of OPF is that the measures implemented in this area contradict the task of increasing the effectiveness of production. The higher the spending on the technical retooling of the national economy, the more significance is attached to the attainment of the highest level of technology in the world, the faster the rate of modernization of the production apparatus, the more important it is to analyze the nature of reproduction of OPF and reserves for its intensification.

In the economic literature of recent years, the improvement of the reproduction of OPF has been regarded only as the acceleration of its modernization and the considerable increase in the retirement of worn-out and obsolete equipment. In reality, however, **THE INSUFFICIENT AND, MOREOVER, DECELERATING MODERNIZATION OF THE PRODUCTION APPARATUS OF MANY BRANCHES AND ENTERPRISES IS NOT THE ONLY INDICATION OF THE EXTENSIVE NATURE OF THE REPRODUCTION OF OPF.** The second indication is the excessively high writeoff

of a substantial part of the equipment. The third feature is the excessive increase in the inventory of certain machines, which increases the gulf between the number of jobs and workers to fill them, and leads to the systematic lowering of the return on every ruble's worth of OPF. Fourth, old equipment is frequently replaced by machines that are new but that do not meet modern demands, or that are only slightly superior to the old models, or are inferior to them, but are much more expensive, complicated, and less economical to operate. Fifth, there are occasional attempts to replace old equipment with equipment that is not sufficiently mature or to introduce fundamentally new equipment into a production environment that is unsuitable and ill-prepared for it. Ignoring the real conditions and possibilities of development of production may be no less ruinous to the national economy than lag in the utilization of advances of NTP [scientific-technological progress]. Sixth, the effectiveness of the reproduction of OPF is lowered by the unintegrated nature of the modernization and technical retooling of enterprises, as a result of which the additional potential of the equipment of modernized sectors of production frequently cannot be used because of the lag of related sectors. Finally, the seventh feature of the reproductive process is the low mobility of the existing production apparatus. According to our calculations, the bulk of retired OPF is written off due to dilapidation and wear. Only about one-sixth of the value of OPF throughout the national economy and less than one-tenth in industry is transferred (free of charge or for payment) to other enterprises, and, moreover, part of this is in connection with reorganization and is not for the purpose of the mutually advantageous transfer of partially worn equipment to the sphere of more rational use.

It is impossible to make a detailed examination of the enumerated shortcomings in the reproduction of OPF and ways of eliminating them within the framework of a single article. However it is clear that it is specifically they that have been responsible for the decline of the output-capital ratio in the last three five-year plans, which has nullified the bulk of the effect derived by the national economy from higher labor productivity and the lowering of the materials-output ratio.

THE BASIC AND MOST GENERAL REASON FOR THE IMPERFECTION OF THE REPRODUCTION OF OPF HAS BEEN ITS PREDOMINANTLY SPONTANEOUS NATURE. Until recently, neither the share of equipment that is to be replaced, nor the share of its resources allocated for the compensation of retirement, nor the growth of productivity of new machinery were the objects of planning and management. These targets were first included in the 12th Five-Year Plan.

In order that equipment writeoff targets correspond to effectiveness criteria, they must be determined with due regard to the specific conditions at each enterprise and the age and condition of its equipment inventory. The principal danger of economically unsubstantiated targets is that some ministries distribute them among enterprises on an undifferentiated basis. Thus, the Ministry of Machine Building for Animal Husbandry and Fodder Production planned for the "Gomselmash" Production Association an increase in the share of replaced metalworking equipment from 3.6 percent in 1986 to 10 percent in 1990 (an average of approximately six percent a year for the five-year plan). But "Gomselmash" was for the most part built during the 10th

Five-Year Plan and has a relatively young machine inventory, a fact which must be taken into account in feasibility studies of the share to be retired. The determination of this share from above, without the necessary economic calculations, not only undermines the independence of enterprises in technical retooling but can also encourage them either to write off equipment for the sake of the fulfilling the plan and contrary to economic feasibility or to distort report data on writeoffs.

Unfortunately, in the press the economically substantiated approach to determining the rate and nature of reproduction of the equipment inventory in various branches and production facilities has sometimes been replaced by general demands to double the rate of writeoff, to discontinue capital repairs, and even to introduce a 6-7-year maximum service life for OPF.(1)

Beyond a doubt the machine inventory in most branches is to a considerable degree worn out, obsolete and in need of more rapid modernization. The increase in the degree of wear and adverse changes in the age structure of many types of equipment have been demonstrated by comparisons of equipment censuses in 1972 and 1983. The average service life of OPF calculated according to the well-known formula of Ye. Domar on the basis of data on average annual growth rates and the share of retirement was 21.9 years for industry as a whole under the 9th Five-Year Plan, 24.6 years under the 10th, and approximately 27 years under the 11th, while for machinery and equipment in OPF the figures were 10.4, 17.6, and 19.5 years, respectively. One of the main causes behind this trend is the insufficient share of capital investments and resources for the technical retooling of production, in particular for the replacement of equipment. According to our calculations, in the last two five-year plans, only a little more than one-fourth of the newly activated OPF in the national economy and less than one-fifth in industry were used for replacement; the great majority was used for expansion.(2) The dramatic increase in the coefficient retirement scheduled in the 12th five-Year Plan and also in the share of capital investments in reconstruction and the technical retooling of production will promote positive change in the nature of reproduction of OPF.

However, WHEN DETERMINING SPECIFIC RATES OF MODERNIZATION, THE VOLUME AND AGE OF EQUIPMENT THAT IS RETIRED, IT IS IMPORTANT TO PROCEED NOT FROM GENERAL TRENDS OF REPRODUCTION AND SCIENTIFIC-TECHNOLOGICAL PROGRESS, which at best merely indicate the dominant direction of necessary change, BUT FROM DETAILED ECONOMIC SUBSTANTIATION THAT TAKES INTO ACCOUNT THE COMPLEX OF FACTORS THAT SHAPE REPRODUCTION POLICY. Among them: the rate of scientific-technological progress that determines the obsolescence of equipment; reliability, service life, intensiveness of operation, and quality of servicing of machines, that determine their physical depreciation; the effectiveness of organization of repair, upon which the quality and cost of repair as well as the modernization of equipment depend; the degree of utilization of production capacities by the equipment's users, and the possibility of increasing the production of machines that can be used to replace retired machines; the feasibility of utilizing used equipment at other enterprises, which can substantially increase the effectiveness of replacement. No matter how difficult it is to take such an intricate complex of multidirectional factors into account, it is impossible to implement the economically feasible policy of modernizing OPF



without doing so. ONLY THE ECONOMICALLY SUBSTANTIATED MANAGEMENT OF THE REPRODUCTION OF OPF CAN ENSURE ITS INTENSIFICATION, i.e., such a process that improvement in the dynamics of the output-capital ratio (3) makes it possible to attain the relative saving of means of labor and ultimately to increase the growth rate of the integral effectiveness of production.

The most important directions in improving the management of the development of OPF are the elaboration and introduction of methods for determining the economically rational need and structure of the means of labor and the mechanism for stimulating their optimal use. At the same time, its normative service life and the regulation of actual operating time also play a substantial role.

The question of determining economically rational normative service life is especially timely because new norm of amortization deductions for the full replacement of OPF as well as new norms governing expenditures on routine and capital repair are presently being elaborated. A number of methods and optimizing models have been proposed for calculating the service life of machines. What is more, the dynamic minimum of complete (routine and capital) expenditures per unit of output on a given piece of equipment for a certain planned period, which may vary, let us say, from 1 to 13 years, strikes us as the most substantiated criterion of optimization. Obsolescence should be taken into account in the calculations by introducing forecasting indicators of new models of machines that usually appear every 6-8 years. But not every replacement of models of machines in production makes it feasible to replace all preceding models in the inventory. This requires that a new model be so far superior to previous models in its economic indicators that the effect of using it would not only recoup the cost of the new machine but would also compensate the possible loss resulting from the underamortization of the old machine.

The current accelerated development of new generations of machinery and the several-fold increase projected in the five-year plan for the modernization of machine building products and the share of these products corresponding to the highest level in the world also opens up great possibilities for such an increase in effectiveness. However, the utilization of these possibilities should be very carefully thought out because many types of new generations of machinery (robotics or adaptive production systems, for example) still have not reached a level of maturity, reliability, and cost that make it effective to replace conventional equipment. MEASURES TO REPLACE EQUIPMENT SHOULD BE CARRIED OUT NOT FOR THE SAKE OF NOVELTY OR A CERTAIN LEVEL THAT HAS BEEN ATTAINED UNDER DIFFERENT CONDITIONS BUT FOR THE SAKE OF INCREASING THE EFFECTIVENESS OF PRODUCTION. It is particularly necessary to call this fact to the attention of ministries that instead of creating conditions for an effective technical policy still frequently foist equipment on enterprises that is not suitable for them and that is therefore ruinous to them.

The demand to raise the share of machines corresponding to the highest level in the world to 80-95 percent by 1990 also requires economically substantiated interpretation. If one bears in mind machines, the parameters and properties of which are optimal for specific operating conditions, the raising of all machinery to the highest world level becomes one of the most important goals

of machine building. However, some machine building ministries which are oriented, for example, toward the most powerful and most highly automated foreign machines attempt to convert all their enterprises to the production of such machines. In so doing, they do not consider the degree of readiness of the customers for the equipment, the level of quality and equipment of the new machines, or the fact that foreign companies offer many simple, inexpensive models to their customers along with machinery of the highest level.

Thus, tractor builders are trying to increase the power of the majority of tractor models. In the certification process, new models are compared with their powerful foreign analogues and a low-powered tractor is perceived as not corresponding to the world level. At the same time, progress is too slow in providing high-powered tractors with an array of implements and the increase in their power and cost is not accompanied by a corresponding increase in their reliability and productivity.

As shown above, rational service life depends substantially on the equipment balance. The balance in the calculation of amortization time can be counted as follows: amortization time is initially determined with the aid of an optimizing model according to the aforementioned criterion of the minimum of full costs. This time is then used to calculate the requirement for replacement equipment according to the age of the machine inventory. If the lifetime of the equipment is insufficient, calculations should be made for a longer service life until the machine lifetime (taking into account the possibility of the prolongation of the lifetime) satisfies the need for replacement and expanding the inventory.

Unfortunately, optimization calculations of the service life, that should have been performed in branches producing and using equipment for the purpose of revising amortization norms, were as a rule not carried out. The procedure approved in December 1985 for determining the normative service life of machinery and equipment envisages the comparison of existing normative service life (based on amortization norms of 1975) with service life calculated by the statistical accounting method (by adjusting actual service life with due regard to the dynamics of modernization of models, longevity, and level of equipment use) and according to another accounting method (based on the machine inventory and the quantity of equipment allocated for replacement in the given five-year plan). The shortest of the three times was to be selected. From what has been said, it is clear that the optimization approach is nonexistent here. What is more, because of the impossibility of obtaining initial information, proposals on new normative service life in most cases were made by branch institutes in 1986 on the basis of expert assessment and it is obviously impossible to count on their optimality. Nevertheless, it is possible to significantly improve the method for determining normative service life and to increase its impact on the effectiveness of reproduction of the machine inventory. For this, it is first of all necessary to take into account the fact that the economically rational service life of the same kind of equipment may differ significantly under various types of production commissions, at different enterprises and even different shops. What is more, it is very difficult to equalize differences with the aid of correction

coefficients that in particular take into account the number of shifts, conditions of equipment operation, and other factors.

Second, it should not be forgotten that the basic function of the normative service life is its use for the elaboration of renovation norms that play a substantial role in the financial and economic mechanism. The restructuring of this mechanism in the direction of expanding the autonomy of enterprises and of converting them to self-financing and complete khozraschet [cost accounting] must also affect the procedure for establishing and using norms governing renovation allowances.

INSTEAD OF UNIFIED NORMS GOVERNING RENOVATION ALLOWANCES, IT IS ADVISABLE TO APPROVE INTERVAL VALUES OF THESE ALLOWANCES FOR EACH TYPE OF EQUIPMENT, which will mean establishing lower and upper limits to normative service life, with an approximate range of 25-35 percent between them. Within this interval, associations and enterprises themselves could establish the size of renovation allowances in the five-year plan with due regard to the age and condition of their production apparatus, the requirement for technical retooling means, the rate of scientific-technological progress in their field, and other factors. Such a procedure would not only expand the possibilities of enterprises to form sources for financing the modernization of their equipment but would also make it possible to attenuate the negative consequences of possible inaccuracies in calculations of rational service life and to take into account specific conditions of reproduction and use of means of labor at enterprises.

The next IMPORTANT CONDITION TO THE INTENSIFICATION OF THE REPRODUCTION OF OFF IS THE SECURING OF THE CORRESPONDENCE BETWEEN ACTUAL AND NORMATIVE SERVICE LIFE. The demand for such correspondence does not in any way mean that any specific machine or other element of OFF must be written off the moment their normative service life expires because this is an average rather than a precise or maximum time. The period of effective use of each individual means of labor may be less or more than its normative service life depending on the quality of manufacture, specific conditions of use and maintenance, and the possibility of using the new equipment for replacement, etc. Normative service life and the writeoff norms corresponding to it serves as the basis for consolidated calculations of the need for replacement equipment whereas the question of the expedience of writing off every specific machine or complex of equipment must be decided on the basis of special economic calculations.

From the foregoing it follows that the fact that the existing machine inventory includes some machines that have gone beyond their normative service life cannot in itself be a basis for concluding that the rate of modernization is insufficient. On the other hand, the writeoff of part of the equipment with underamortized value should not always be regarded as an anomaly since the "underamortization" may be offset by "overamortization," by deductions for equipment with expired service life. Criticism in the economic literature of the reproduction of the equipment inventory based on the deviation of actual from normative service life stems from an incorrect understanding of the essence of the normative life as a strictly defined period of a machine's operation. Based on theoretically substantiated prerequisites, however, it is not the service life of individual machines but rather the average time of



their operation before writeoff that should be compared with the norm. "Overamortization" of machines that have gone beyond their service life, on the other hand, should be compared with the "underamortization" of equipment written off ahead of schedule in order to determine which of the two trends is dominant.

The considerable volume of fixed capital retired upon expiration of the amortization time is attested to by the fact that in 1984 the sum of underamortization for capital written off ahead of schedule throughout industry was 11.2 percent of its value. What is more, a similar situation also exists in other branches of the national economy.(4) However, the cited quantity does not sufficiently characterize deviations of actual from normative service life. While there are unfortunately no statistics on these deviations, existing fragmentary data of individual enterprises show that the losses from writeoffs ahead of schedule can at least in some instances be offset by "overamortization."

Thus, calculations based on primary data on the retirement of metalworking equipment in the Sumy Machine Building NPO [Science-Production Association] im. M. V. Frunze showed that out of the total amount written off in 1981-1983, 60 units with a replacement value of 315,700 rubles had served longer than the normative period, while 34 units with a replacement value of 257,000 rubles were written off before the expiration of their normative service life. Equipment in the first group was on the average operated 45 percent longer, while equipment in the second group was operated 30 percent less than the normative service life. In other words, the dominant trend was toward "overamortization," which totaled approximately 140,000 rubles whereas "underamortization" totaled approximately 80,000 rubles. On the average, each unit of equipment in the first group served longer than 26 years while each unit of equipment in the second group served approximately 13 years instead of 18-19 years according to the norm. Even though there are no data to conclude the degree to which the deviation of actual from normative service life can be explained by the quality of the equipment, its operating mode, changes in products, the possibility of acquiring new machines or other factors, it is obvious that such deviations are of a SYSTEMATIC NATURE.

In addition to objectively conditioned deviations, one frequently encounters both excessively long and unjustifiably short periods of service life of machines and accordingly unduly large or very insufficient volumes of writeoff, which attests to serious shortcomings in the reproduction of the equipment inventory. Thus, in industry the annual share of retirement of the active part of OPF due to dilapidation and wear is 2.3 percent, including more than 9 percent in the coal industry, approximately 4.5 percent in the timber, pulp-paper and wood processing industry, as well as in the construction materials industry, but only 0.6 percent in the electric power industry, i.e. one-fifteenth the level of the coal industry even though the share of renovation allowances here is only one-third less. Based on renovation norms, the average service life of the active life of OPF in light industry and the food industry is 15-16 years; in the machine building and chemical industry-- 12-13 years. It would seem that equipment writeoff in the last two branches should be faster. However, the actual share of machines retired due to dilapidation and wear in 1985 was 2.2-2.3 percent in machine building and



chemistry and 3.7-3.9 percent, i.e., two-thirds higher in light industry and the food industry. Such correlations, which persist over a number of years, indicate that THE RATE OF WRITEOFF OF OBSOLETE AND WORN EQUIPMENT IN VARIOUS BRANCHES DEVIATES TO DIFFERENT DEGREES FROM THE NORMATIVE RATE AND THIS IS UNQUESTIONABLY CONNECTED WITH SHORTCOMINGS IN THE MANAGEMENT OF THE REPRODUCTION OF THE EQUIPMENT INVENTORY AND THE SCALE OF PRODUCTION OF THE CORRESPONDING EQUIPMENT.

Differences in the shares of writeoff of individual types of equipment are considerably more pronounced. Thus, under the 11th Five-Year Plan, annual writeoffs included approximately one-fourth of all coal combines, a slightly smaller percentage of flight conveyers, almost 10 percent of all life trucks and electric loaders, 7 percent of all welding equipment and pumps, approximately 3 percent of all metalcutting machine tools and forge-press equipment, approximately 2-2.5 percent of all boilers, turbines and electric motors. It is hardly surprising that the average writeoff age of a number of important machines in the coal and timber industry is only 4-6 years, that welding equipment, various types of loaders, pumps and electric motors are written off after 8-11 years; metalcutting machine tools and forge-press machines--17-19 years; steam turbines, certain types of power and metallurgical equipment, etc. are written off after 20-30 years.

It is important to emphasize that such a considerable difference in service life cannot be justified by corresponding differences in the rate of obsolescence since as already noted the periodicity of replacement of the majority of machines in production is 6-8 years. The basic reasons are associated with different conditions of operation as well as varying degrees of scarcity of various types of equipment. Both of these factors are not sufficiently taken into account in machine building. For example, as a result of their insufficient reliability and durability, coal combines undergo capital repair almost every year and the majority of them go out of commission after 3-4 years. Consequently, there is need of a special complex of measures to ensure such an increase in the longevity of mining machinery so that even under heavy operating conditions its service life and the time before capital repair would be significantly increased.

For many types of power, metallurgical and metalworking equipment, the reduction of differences between physical depreciation and obsolescence requires making a greater number of replacement machines available as well as the creation of reserve capacities that would make it possible to replace machines without the temporary stoppage of production. For example, progress in power equipment, in particular the increased capacity and economy of steam turbines makes the acceleration of the modernization of the machine inventory effective and considerably reduces machine service life. As a result of the shortage of thermal and electric power, most of the equipment is used not as replacement equipment but rather to expand capacities, thereby perpetuating technical backwardness and the low efficiency level of a substantial part of the production apparatus.

The above-cited data on the average "life expectancy" of each type of equipment conceal vast differences in the age at which various machines are retired. Thus, certain machine tools, systems and lines serve a fraction of

the normative period and in some cases are even written off before they have been put into operation. On the other hand, at some enterprises one can find machines that were produced 30-40 years ago and even at the end of the last century. Such anomalies are frequently explained not only by objective but also by SUBJECTIVE FACTORS that impede the intensification of the reproduction of fixed capital.

Enterprises occasionally use obsolete equipment not because it is impossible to acquire new equipment but due to the lack of technical retooling plans or the inertia of enterprise management toward the introduction of new machinery or because engineering-technical personnel are unfamiliar with the progressive technology and organization of production. Much also depends on the economic mechanism that must not only ensure the interest of enterprises in technical modernization but that must also make it impossible to exist under the conditions of obsolete machinery and technology.

Measures taken under the current five-year plan to expand the scale of technical retooling of production and to modernize equipment demand considerable expenditures and resources. The higher they are, the more important it is TO PREVENT THE SQUANDERING OF RESOURCES DUE TO THE ECONOMICALLY UNJUSTIFIED WRITEOFF OF EQUIPMENT AHEAD OF SCHEDULE. This kind of writeoff is due to the lack of correspondence of equipment received by the enterprise to its needs and specific conditions of production, to the poor quality of machinery, and its ineffective use, maintenance and repair.

Many branches have accumulated hundreds of millions of rubles' worth of uninstalled equipment that is aging, that is often kept under the open sky, that becomes unusable, that is cannibalized, and written off. In a number of cases, machines quickly become unusable as a result of imperfections in design and materials, and the failure to observe technological demands governing their manufacture. The improper use of machinery, the failure to observe demands for maintenance and repair, the exposure of transport, construction, and agricultural equipment to the elements, etc., cause enormous losses.

The question of the service life of AGRICULTURAL MACHINERY acquires special urgency. According to one publication, the average service life of our tractors is 8-10 years(6), which is close to the normative period of operation. At the same time, in the '50's, when the level of saturation of agriculture with tractors was considerably lower, the service life of tractors was 14-15 years and indeed on the best farms thousands of tractors are operated for this length of time. Consequently, the average age of retirement of tractors (approximately 9 years) is a result of the fact that a considerable percentage of tractors is written off long before the expiration of their service life. This part would be still greater if the ahead-of-schedule writeoff was not reflected in the economic performance of kolkhozes and sovkhoses which, as a result of this, sometimes hold onto machinery that has gone out of commission for years, waiting for the normative writeoff time.

The insufficient longevity, the relatively short service life and the short time between repairs of agricultural machinery have a number of adverse consequences. Repair costs are steadily mounting despite the fact that already under the 9th and 10th five-year plans, the number of repairs exceeded

the normative need in the case of tractors 1.4-fold and for combines--1.7-fold.(7) Notwithstanding the world's largest production of tractors, combines, and many other machines, our tractor and agricultural machine building is not entirely satisfying the need for them. During the 11th Five-Year Plan, agriculture received 1,851,500 tractors and 557,800 grain harvesting combines, 87 and 80 percent of which had to be used to compensate retirement respectively. According to published calculations, extending the period of operation of tractors by just one year would give the country an economic effect of approximately 0.8 billion rubles, and if we consider all agricultural machinery, the effect will be 2-3 times greater.(8)

In order to realize the existing possibilities, it is necessary not only to increase the normative service life of tractors and many other agricultural machines by 2-3 years and to meet the target of increasing their service life and time between repairs, but also TO SUBSTANTIALLY IMPROVE THE STORAGE, MAINTENANCE, AND QUALITY OF REPAIR, TO MOTIVATE FARM MANAGERS AND EQUIPMENT OPERATORS TO TAKE PROPER CARE OF MACHINERY. It is no less important to encourage the conservation of means of labor than it is to economize labor and material expenditures. In this regard, it appears advisable to use a considerable part of the amortization deductions from the value of machines that are operating effectively at the end of their normative service life to motivate equipment operators and repair personnel to preserve their integrity. Such a procedure should be established for those types of machinery whose service life it is especially important to prolong. It should be reflected in a new statute on the procedure for calculating and using amortization deductions.

Under present conditions, the problem of modernizing the production apparatus cannot be resolved in isolation from the broader range of problems pertaining to technical retooling and the radical transformation of all machinery and production technology. The high effectiveness of modernization is as a rule attained not in the replacement of individual worn out machines by new, albeit more productive machines, but rather when new progressive technological processes are introduced together with the equipment on the basis of a technical retooling program, when the level of mechanization and automation of basic and auxiliary operations is raised, when computer technology is used, and when measures are instituted to economize materials, fuel and energy. Thus the acceleration of the replacement of equipment is not an end in itself but is part of the overall process of technical reoutfitting of enterprises and branches.

THE CONVERSION OF ENTERPRISES TO SELF-FINANCING AND THEIR FORMATION OF SUFFICIENT FUNDS FOR THE DEVELOPMENT OF PRODUCTION, SCIENCE AND TECHNOLOGY ARE IMPORTANT CONDITIONS TO THE INTENSIFICATION OF THE MODERNIZATION OF THE PRODUCTION APPARATUS AND THE ENTIRE TECHNICAL RETOOLING PROCESS. Under the new conditions of management, amortization deductions become one of the main sources for replenishing this capital. Until recently, only a small share of these deductions went to the production development fund. In 1985, the entire sum of the production development fund in industry was 8.6 billion rubles, i.e., 24.7 percent of the amortization deductions. But if one takes not the entire development fund but only the renovation deductions that are paid into the fund, we will find that only a little less than one-fifth of all these



deductions are left to the enterprises and that the bulk of them is centralized.

In the opinion of some economists, renovation deductions are intended to compensate retired means of labor and the amortization fund cannot be a source of accumulation.<sup>(9)</sup> A different point of view is expressed, in particular, by A. Malygin. He notes that the equality of retirement and amortization is possible only under conditions of simple reproduction of OPF and that amortization in the case of expanded reproduction can significantly exceed the normative volume of retirement.<sup>(10)</sup> This point of view is confirmed by the following example.

Let us assume that there were 100 units of OPF at the beginning of the plan period and that another 10 units with a normative service life of 10 years and a corresponding renovation norm of 10 percent were introduced in the first year of this period. Taking the growth rate of OPF at 7.2 percent a year, it can easily be calculated that their volume will increase from 100 to 200 units in 10 years and that the amortization deductions will be the equivalent of 20 units of OPF whereas it will be necessary to replace only 10 units that were introduced 10 years ago. Even if one considers the rise of prices at a rate of, let us say, 3 percent a year, in order to replace 10 units of OPF in 10 years we will require a sum equivalent to 13.4 units of OPF, while 6.6 units out of 20 units of amortization deductions can be used for expanded reproduction. This share may be greater if scientific-technological progress makes it possible to reduce the compensatory costs of replacement.

The theoretically substantiated solution of the question of whether renovation deductions are intended only for replacement or if they are also intended to expand the OPF presently acquires great practical significance because it determines to a considerable degree whether the entire sum of amortization deductions or only part of the sum will be left to enterprises. In our opinion, the answer to this question should be based on the degree to which the enterprise itself finances both the simple and expanded reproduction of OPF. If the expansion of capacities is even partly financed by centralized capital investments, it would be theoretically correct to centralize the corresponding part of the renovation deductions.

Summing up the results, we emphasize that the intensification of the reproduction of fixed capital demands not only the acceleration of its modernization but primarily the optimization of service life and the volume of retirement of means of labor and their differentiation with regard to the rate of scientific-technological and the specific conditions of production and operation of equipment plus a flexible amortization policy that corresponds to the directions of the restructuring of the economic mechanism.

In the process of this restructuring, enterprises must create sources for the self-financing not only of their technical retooling and reconstruction but also for the expansion of production and for offering special incentives to various categories of personnel promoting lower costs, the better use and integrity of means of labor, and the considerable strengthening of the economic substantiation of each measure in the area of reproduction of fixed capital.



#### FOOTNOTES

1. See: L. Yevstigneyev, "The Economy: Receptivity to Scientific-Technological Progress," PRAVDA, 22 June 1985.
2. These proportions change slightly in accounting based on the number of units of equipment. In industry, the share of retirement with respect to the number of units is roughly two times more than for value since small and inexpensive equipment is on the average written off in a shorter time than expensive equipment. What is more, in accounting based on value, the share of written-off equipment is understated due to the relative increase growth of prices which amounts to approximately three percent a year according to V. K. Faltsman's and our own calculations. If on the basis of the average service life norm of 12 years we consider that equipment introduced in 1972 was written off in 1984, when an adjustment is made for the hidden rise of prices, the share of equipment retired due to dilapidation and wear would be 3.1 percent rather than 2.3 percent and approximately one-third of the newly installed equipment would be used as replacement equipment. Nevertheless, the latter value, too, is less than the value calculated according to the norm.
3. Improvement of the dynamics of the output-capital ratio is understood to mean not only its growth but also the slackening of the rates of its decline. Thus, the lowering of the output-capital ratio by one percent in industry during the 11th Five-Year Plan "devoured" 0.86 percent of the effect of higher labor productivity, as a result of which the increase in the integral effectiveness of production was negligible. If in the current five-year plan, we succeed--as indicated in the plan--in cutting the rate of decline in half, then considering the higher growth rate of labor productivity the negative influence of the decline of the output-capital ratio on the total effectiveness of production will be roughly one-third the level of the preceding 5 years.
4. See: PLANOVOYE KHOZYAYSTVO, No 8, 1986, p 93.
5. Equipment that is written off in the final year of service life is not included in this calculation.
6. See: MEKHAIZATSIYA I ELEKTRIFIKATSIYA SELSKOGO KHOZYAYSTVA, No 3, 1983, p 4.
7. See: KOMMUNIST, No 13, 1985, p 119.
8. See: SOTSIALISTICHESKAYA INDUSTRIYA, 17 September 1983.
9. See: O. Ozherelyev, "Intensification of the Replacement of Productive Fixed Capital," VOPROSY EKONOMIKI, No 10, 1985, p 12; A. Koriagin, "Simple Reproduction of the Means of Labor Under Conditions of Intensification," VOPROSY EKONOMIKI, No 9, 1985, p 22.

10. See: A. Malygin, "Modernization of Productive Fixed Capital,"  
PLANOVOYE KHOZYAYSTVO, No 7, 1985, p 34.

Copyright: Izdatelstvo "Ekonomika". "Planovoye khozyaystvo". 1987

5013

CSO: 1820/196

## TRUNOV ASSESSES EFFECTIVENESS OF CONSUMER COOPERATIVES

Moscow SOVETSKAYA POTREBITELSKAYA KOOOPERATSIYA in Russian No 5, May 87 pp 2-10

[Speech by M. P. Trunov, Tsentrosoyuz Board Chairman: "Urgent Tasks for Consumer Cooperatives"]

[Text] The resolutions passed by the January Plenum of the CPSU Central Committee and the report by General Secretary of the CPSU Central Committee M. S. Gorbachev are truly historic in their significance. They provide a deep analysis of the state of affairs in the country and advance innovative suggestions for realizing the strategic course of accelerating socio-economic development of the country as developed by the April (1985) Plenum of the CPSU Central Committee and the 27th Party Congress.

The plenum pointed out the necessity for maximum utilization of possibilities to expand socialist democracy and render more truly democratic the work of party and government organs and social organizations.

It is with the above in mind, with a view toward objective evaluation of past accomplishments and analysis of existing shortcomings and unresolved problems, that we must examine essential problems of consumer cooperatives, map out ways to restructure cooperative activity, make a much greater contribution to developing the country's economy, and expand socialist democracy.

## Active Participation in Restructuring

Establishment and development of consumer cooperatives is inseparably associated with the construction of socialism in our country. Consumer cooperatives at various stages have played an important role in setting up economic ties between the city and the village, between industry and agriculture; encouraging people to adopt social self-management; making the principles of socialist democracy a reality.

The consumer cooperative system has become a large social and economic organization uniting tens of millions of rural toilers. The system encompasses more than 500,000 commercial, procurement, and production enterprises; its retail goods turnover this year will approach 100 billion rubles.

However, it is clear to us that the great possibilities of the consumer cooperative system and its considerable economic and human potential are not being fully utilized. The activity of cooperative organs has lost a great deal of the main features -- economic initiative; socialist enterprise; the ability, to use Lenin's words, of "assembling dispersed commercial values and activating new ones." Many cooperative organizations have adopted a bureaucratic style, often bringing to naught the advantages of the cooperative style, which is based on creativity and initiative of the masses.

It must be said that Tsentrosoyuz activity exhibits inertia and failure to appreciate the enormous inner forces that are inherent in socialist cooperation.

It has become customary for consumer cooperatives to experience a great amount of interference in their work; this is considered to be natural and normal. Cooperative members themselves have adopted the practice of taking refuge in all manner of instructions and avoiding problems.

Another negative aspect is the serious lag in developing cooperative theory under actual conditions of evolving socialism. The cooperative problem was cited at the Plenum of the CPSU Central Committee as belonging to a key category in which there is particular manifestation of simplified interpretation of Leninist positions on socialism and emasculation of the theoretical depth and significance of these positions.

A major part of the blame for this situation is attributable to our scientists. The Tsentrosoyuz, having at its disposal a system of applied science, eight higher educational institutions, and many doctors and candidates of science, has been unable to direct the creative thought of scientific personnel to the development of vital concepts which would promote the identification of scientifically-founded prospects for developing the consumer cooperative concept in line with modern conditions and consolidate genuinely Leninist principles in the practical work of cooperatives.

The advent of the 1970s and 1980s witnessed a noticeable drop in economic development of cooperative economy. Growth rate of retail goods turnover declined; inventories of goods and other material assets rose sharply; and return on investment plummeted. Poor management, waste, and embezzlement caused increased losses.

The "stagnation mechanism" in our system is to a great extent associated with weakening of the system's democratic foundation and denigration of the role of cooperative principles.

The direct democracy influence in consumer cooperative activity has noticeably shrunk. This is apparent in the limited circle of elected persons; depreciation of the significance of general meetings of shareholders, authorized representatives, and section meetings; and in denigration of the role of mass control organs and permanent committees. The elected aktiv of the system, numbering 3.2 million people in 1970, has dwindled to 1.9 million. Without a proper economic base, in many places rural consumer societies were done away with, and in some cases a raypotrebsoyuz [rayon potrebsoyuz] was changed to a



raypo [rayon consumer society]. The former selpo [rural consumer society] arrangement became one of subdivisions having management functions and various kinds of "boards of directors", "branches", "zones", etc.

The above changes were justified on the basis of a need for provision and concentration of conditions promoting greater efficiency. The changes in reality often amounted to mere replacement of democratic forms by administrative forms.

The consumer cooperative arrangement is a diversified system; this is one of its primary advantages. However, the main thrust was for isolation of its branches, instead of searching for ways to effect integration and general development. There was a negative effect exerted on the management level and end results of the work by isolating the operations of branch management organs associated with procurement and processing of agricultural products, commercial activity and public feeding, transportation and material and technical supply, and with other branches.

Thus, the urgent and objective need for restructuring is dictated for us by the manifest stagnation and present situation of the consumer cooperative system in the national economic complex.

The socio-economic situation in the country and the restructuring in progress have had a beneficial effect on the results of our activity in the first year of the five-year plan. Retail goods turnover, not counting alcoholic beverages, has risen by 7.9 percent; municipal cooperative trade turnover, by 23 percent. Purchases of meat from the populace have increased by 15.5 percent, while milk and dairy products show a 26 percent gain. State purchases of potatoes, vegetables, and fruits showed a noticeable increase. Lunch meat, confectionery, and non-alcoholic beverage production rose by 13 to 16 percent. Plans for introducing fixed capital, including housing, have been introduced.

All the above are positive accomplishments, but greater progress should have been made. The general goods turnover plan has not met with success. Greater consumer demand for many food and non-food items as a result of release of money which would otherwise be spent on alcoholic beverages is not being fully satisfied.

There is still need for much improvement in utilizing the possibilities of the greater goods resources associated with purchasing and processing of agricultural products and expanding their trade in cities and industrial centers.

Cooperative members got off to a poor start this year by permitting a significant lag to develop in carrying out plans related to a number of important indicators for January and February.

Primary responsibility for the above situation lies with the Tsentrosoyuz board. Its style and operating methods are slow to change. Criticism and self-criticism have not become basic to analyzing end results; old approaches often rear their head in the resolution of current problems.

In the spirit of the requirements specified by the 27th Party Congress and the January Plenum of the CPSU Central Committee, the work of Tsentrosoyuz and of all cooperative organizations must be raised to a qualitatively new level and made a part of restructuring tasks.

#### Strengthening the Democratic Principles of Consumer Cooperation and Improving the Economic Mechanism

Now, when the party is promoting the task of greater democratization of all of socialist society, we must render the work of consumer cooperative organizations deeply democratic and breathe new life into it.

We must increase the role of the system's major link -- the consumer society. All the democratic self-managing organs in it must start functioning full-force. This means that the general meetings of members or of authorized representatives -- the higher consumer society organs -- must operate in a businesslike, not a formal, manner. These meetings must influence in an effective manner the state of affairs in the cooperative; make strict demands of managers in their accountability to shareholders; place the most qualified and competent people in the proper positions in management and control organs.

Let us return to the problem of optimum consumer cooperative organizational structure at the rayon level. This structure previously rested on rural consumer societies combined into raypotrebsoyuzes. At the present time, in many rayons there are raypo organizations which have the dual functions of primary and secondary links. In rayons where populated points are compactly located and roads are good, many raypo organizations operate efficiently. In addition, in a number of locations the structure of rural consumer societies and raypotrebsoyuzes is more acceptable.

The consumer cooperative should not be structured such that it is stagnant. Wherever interests so dictate and volume of economic activity permits, we must not hesitate to set up rural consumer societies, taking into account the conditions peculiar to each situation and avoiding haste and superfluous administrative work. It is appropriate to mention here administrative pressure from above, which unfortunately was typical for the operating style of the Rospotrebsoyuz [RSFSR potrebsoyuz], which required that cooperative organizations effect mass transformation of raypotrebsoyuzes into raypo organizations.

It is necessary to raise the economic and democratic status in villages where the so-called "kooppredpriyatiya" ["cooperative enterprises"] took root. In particular, deserving of attention is the experience gained by the Cherkassy oblpotrebsoyuz [oblast potrebsoyuz] relative to creating social soviets at cooperative enterprises consisting of the more active authorized representatives, shareholders, and representatives from kolkhozes and sovkhoses, local soviets, and the rural intelligentsia; and that of the Byelorussian, Lithuanian, Kurgan, and other potrebsoyuzes relative to developing pivotal points for working with shareholders.

All managers of enterprises, economic units, and structural subdivisions active in cooperative organizations should be subject to election.

It is advantageous to reintroduce the practice whereby store and public feeding enterprise managers are elected directly by shareholders or their authorized representatives. The reason for this is the fact that the given category of workers is directly involved in service to the people and should be under the control of cooperative members.

Managers of branch associations, wholesale bases, production and other enterprises should be elected at meetings of labor collectives with shareholders participating.

Another problem needing resolution is democratic control over the activity of managers and leading specialists in wholesale bases. The end results of their labor are more accurately evaluated by what one sees on store shelves, not in the inventory of the wholesale base. We must increase to a great extent the role of wholesale base soviets and strengthen representation in them by cooperative managers, trade network workers, and cooperative control committee activists.

Fundamentally new in principle is the creation in our system of production, purchasing, procurement, and producer cooperatives, and of public feeding cooperatives.

The new cooperatives can become a part of consumer societies or raypotrebsoyuzes as collective members, and they can avail themselves of the consumer cooperative infrastructure, its social and everyday institutions. These cooperatives should operate on a self-management and self-financed basis.

There now are about 200 cooperatives of the new type. This kind of activity is enjoying success in Armenia, Georgia, and a number of oblasts in the Russian Federation. However, there are many places where virtually nothing has been accomplished. In this connection, who other than we is to initiate the new movement and employ all the possibilities for restoring the best features of the previous producer cooperative arrangement, now within the framework of the present system, and develop in the country a truly diversified and highly efficient cooperative system?

We must support to the fullest the initiative of people attempting to set up cooperatives in the production and service sector and organize as early as this year a wide network of these cooperatives in all republics, krais, and oblasts of the country.

One of the major features of the new operating style is the need for organizations and enterprises to change to true economic accountability, self-support, and self-financing.

First, we must take a resolute step to apply economic accountability in all consumer societies, potrebsoyuzes, and charter enterprises. The previous situation, whereby about half the raypo organizations and raypotrebsoyuzes did

not practice self-financing and existed at the expense of efficient organizations, must be done away with by implementing full economic accountability in all cases. Numerous possibilities for this are offered by the new economic mechanism.

Cooperative organizations are now being presented with stable economic norms. In this connection, amounts withdrawn for the centralized capital investment fund will not exceed 25 percent of distributed profit. Other payments will also be limited by the stable norm. For example, the centralized financial assistance reserve will take no more than 5 percent; the personnel training fund, up to 2 percent. The remainder of the distributed profit, the same as the entire above-plan profit, remains at the disposal of organizations and enterprises.

Second, internal cost accountability should become an important way to intensify and expand cost accountability activity.

The area of internal cost accountability must be made to include retail enterprises, trade warehouses, public feeding enterprises, receiving and procurement centers, storage houses, production shops, departments, brigades, and sections, i.e., virtually all cooperative activity should be included. The collective contract must be promoted in our system more energetically and forcefully.

Third, we must apply true cost accountability to the ties existing between cooperative organizations and enterprises, economic units and structural subdivisions, and between individual branches. These ties should be revised to reflect a genuinely contractual basis.

True cost accountability and self-financing make it incumbent upon us to establish new relationships between subordinate organizations and their superiors. We mean by this that any transfer of means made by component consumer societies to the potrebsoyuz be accomplished with payment. In the same manner, loans made to subordinate organizations by potrebsoyuzes for capital construction and other purposes must be made on a payment basis. The main thing here is to prevent redistributing income generated by organizations operating at a profit to cover losses incurred by organizations that earn little profit or suffer losses.

While we are introducing new management methods, we are also faced with taking a step having great social significance -- restructuring salaries and wages in the production sphere. Under the 12th Five-Year Plan, as we look for means, we must raise the salaries and wages of workers in industry, transportation, agriculture, and construction; about 870,000 of our people are employed in these branches. Salary and wage restructuring rests squarely on the cost accountability principle. Collectives are granted the authority to decide the who, how, and when of salary and wage issues. There is one source for this -- the salary and wage fund -- which is linked directly to end results of enterprise activity, to operating on an economic and profitable basis. This approach is an incentive to operating with fewer workers and implementing progressive forms of labor organization.



I wish to make the reminder that in all other branches, primarily in commerce, public feeding, and procurement, there is a single salary and wage fund which depends upon income remaining in labor collectives derived from sales of goods and services.

All the above are definite economic management levers which must take hold in our system.

#### Using All Possibilities to Mobilize Labor Resources

The speaker said that V. I. Lenin stated the problem as follows: "We must present the cooperative system with wide possibilities for producing its products, extensive development of local industry, and improving economic life in general."

Present conditions are such that cooperative organizations indeed do have wide possibilities permitting more vigorous pursuit of a solution to the food problem in the country and an increase in purchasing, processing, and sales of agricultural products. Computations indicate that in a dynamic situation cooperative trade can, within the next two years, sell three to four times as many vegetables and fruits as at present. Sales of meat products, especially lunch meats and smoked meats, can be increased by 30 to 40 percent.

The greater majority of citizens operating their own subsidiary farms are members of a consumer cooperative. This means that it is necessary to work with them to create a genuine interest in producing and marketing needed products.

We must abandon the bureaucratic approach to this matter; along with rural soviets, kolkhozes, and sovkhoses, constantly work with citizens who have their farms; become acquainted with their actual possibilities; inculcate the confidence that everything they grow and produce will be sold.

We need to use a special approach to organizing our work with persons operating small and kitchen gardens; they number about 11 million in the country. Definite forms of interacting with groups of small garden operators must be identified in each potrebsoyuz. In this activity it is useful to utilize the experience in developing special forms gained by small garden and orchard associations in the GDR for the purpose of offering them various services, agricultural consultation, and systematization of marketing.

Restructuring in the procurement branch requires radical changes to be made in relationships with kolkhozes and sovkhoses as now practiced.

On the threshold of the new season, the Tsentrosoyuz, working with the Gosagroprom, took the additional action of making several normative decisions relative to kolkhozes and sovkhoses exercising their right to sell a portion of their output to the consumer cooperative system via kolkhoz markets.

A fundamental change must be made in the way wild fruits, berries, and nuts are purchased. It is necessary to organize in a truly active manner the activity

of the populace and students in cooperative schools in the area of collecting and processing products of the forests. Potreboyuzees have the duty of developing and effecting measures to organize labor and rest in student camps, and provide student sections with housing, food, transportation, athletic facilities, and dispensaries.

We must expect greater output from wild animal cooperative farms. The Tsentrosoyuz board considers as necessary and completely realistic a three-fold increase in wild animal supply in the next 3 or 4 years, with noticeable progress to be made as early as this year. In the light of these requirements, the procurement apparatus must make substantial changes in the style and methods of its operation.

A point made at the 27th CPSU Congress was that the most immediate way to increase food supplies is by reducing losses in procurement, storage, and processing. The amount thus saved can comprise up to 20 percent, with certain types of products possibly attaining 30 percent. Hence the major role played by our processing industry.

I would like the potreboyuz board chairmen present to consider the following facts. Speaking about the country as a whole, the food retail share of output produced by food industry cooperative enterprises, disregarding alcoholic beverages, amounts to 20.5 percent, i.e., from this source we receive one out of every 5 rubles. Let us note that this share in the Ukrainian and Georgian potreboyuzees amounts to 32 to 33 percent; in the Moldavian and Byelorussian, 25 to 28 percent; in the Russian and Kazakh, 17 to 18 percent; the Turkmen, less than 10 percent.

Azerbaijani potreboyuz production of food items per person of consuming public is only half that of the Tsentrosoyuz as a whole; for the Tajik, the amount is a third; for the Kirghiz, it is a fifth as much. We cannot say that this is due to poor conditions in those republics. It is more a case of an attitude of dependance.

In this connection, an increase of only 1 percent in the share of local production in retail turnover of food items comes out as an addition of 320 million rubles a year.

Concerning potreboyuz boards' attitude toward use of reserves for developing the food industry, we can say frankly that the planning is useless. For example, in the Rospotreboyuz system the 1986 confectionery production plan was set at a level lower than that attained in the previous year. The low-output plan was accomplished in the amount of 120 percent. The Kazakh potreboyuz approved a lower output plan for lunch meats which showed an accomplishment of 118 percent. It is completely obvious that more intensive plans could have provided more favorable results.

The product quality problem is now more pressing than at any other time. State acceptance ideas must be made a reality by means of local capacities, without waiting for any decisions to be made. Some potreboyuzees were not prepared for the more rigorous quality evaluation, with the result that the amount of

rejected products showed a sharp jump in 1986. Thus, in the Gorky potrebsoyuz the reject rate for confectionery items was 40 percent -- twice the amount of the previous year. In the Novgorod potrebsoyuz in 1985, 13 percent of non-alcoholic beverage products that were checked were rejected; in 1986 the figure leaped to 47. In Tatar 8 percent of lunch meats were previously rejected, while last year the amount rose to 37 percent. This is simply disgraceful and intolerable for our time.

What must be done to bring about radical improvement in product quality? There are food laboratories in potrebsoyuzes. They should become effective organs for checking product quality, analyzing the causes of low-quality production, and, in conjunction with enterprises, developing the necessary specific measures. We must implement universally process quality control of raw materials and finished products; resolve problems relating to replacing obsolete equipment; equip enterprises with necessary monitoring devices; and improve process weighing and measuring operations.

Of great importance to handling meat in personal subsidiary farms and increasing the lunch meat output is the implementation of light metal prefabricated buildings (modules) which we have purchased from Yugoslavia. You are familiar with the situation -- erection of these buildings and installation of production equipment are problematic. However, 225 enterprises are already operating, with many of them approaching their planned production capacities.

In Moldavia, for example, each module erected last year is producing more than a ton per shift. We already have the first experimental use of what we call "large" modules, which feature 600-ton storage compartments.

The major difficulties in the module problem relate to retraining of personnel, setting up an efficient raw material supply system, and effective use of equipment. These enterprises must be converted to a definite two- or three-shift operating mode. With this as a basis, by the end of the five-year plan we should be able to increase lunch meat production to 400,000 tons -- 150,000 tons more than in 1985.

The time has come to have a more careful and thoughtful look at the structure of our food industry and establish the necessary relationship between various types of enterprises -- large, medium, and small. In particular, we must organize in the larger and technically equipped enterprises sufficient volume production of citrus flavorings, kvass pulp, carbonic acid, juice concentrates, and quick-frozen products. This will make it possible for small enterprises to enter the field of semi-processed foods, a change which will result in higher product quality and improve the efficiency of our industry in general.

I wish to emphasize that we must resolve all problems relating to restructuring of procurement activity and the processing industry on the basis of strengthening integral ties within the framework of the APK [agroindustrial complex].

With the above in mind, I would like to discuss once more the task of relating as much as possible consumer cooperative activity to the village. It is in the village that there should be very close cooperation between kolkhozes,

sovkhozes, and consumer societies. They must work together to resolve problems of agricultural product procurement and processing; and of commercial services and public feeding. This must be kept in mind while the existing material and technical base disposition and pertinent plans are studied, making decisions to effectively facilitate the lives of village toilers and create conditions conducive to selling and processing on time all the products.

Working locally in conjunction with agricultural industry organs, it is necessary to achieve results as soon as possible in developing or refining optimum location plans for processing enterprises while keeping in mind the existing raw material base and the need to locate processing facilities close to mass procurement points.

Non-food production is developing at an unacceptably slow rate in our system. A shortage of many common items is felt. At the same time, the use of raw material resources is unsatisfactory; this includes sheep's wool and fur materials, secondary raw materials, and industrial by-products.

We must make full use of the potential available in non-food production enterprises, of which we have more than 3,000, with more than 100,000 workers employed by them. We must acquire a more objective outlook on these branches and intensify our consideration of their re-equipment, commodity expansion, and especially product quality improvement.

Take note of the wide variation that has come about. The Vladimir oblpotrebsoyuz produces 5 million rubles' worth of non-foods -- a small amount -- while for the Smolensk organization, the figure is a mere 50,000 rubles. Production of these goods in the Russian Federation is less than 6 rubles' worth per person; in Estonia, 70 rubles; in Georgia, 19 rubles.

Computations indicate that as early as 1987 we can increase cooperative enterprise non-food production to at least 700 million rubles, and by the end of the five-year plan annual output should attain one billion rubles -- a 1.7-fold increase over last year. And that is not the limit.

A major reserve for increasing our resources is by expansion of foreign economic possibilities available to Tsentrosoyuz. Restructuring of foreign economic activity in the country creates conditions favorable to considerable expansion in goods turnover, development of direct ties to foreign cooperative organizations and firms, and the creation of joint enterprises. The first steps have been taken to develop new forms of foreign economic activity for the Tsentrosoyuz. We have identified partnership enterprises which can set up direct ties between us and cooperative unions of Bulgaria, Poland, Czechoslovakia, and other socialist countries. Negotiations with capitalist firms have started. Progress is still slow, however.

The Tsentrosoyuz governing board has made a decision to restructure thoroughly the activity of Soyuzkoopvneshtorg [All-Union Cooperative Foreign Trade Association]. This in essence amounts to creation of a new type of foreign trade association with specialized firms to specifically carry on trade with



socialist and capitalist countries in the area of cooperative ties and equipment procurement. Personnel staffing is in progress.

### **Urgent Tasks for the Restructuring of Trade and Public Catering**

It is clear to us that radical restructuring is sorely needed in the entire system of commercial services for the rural population.

First, we must concentrate on developing trade directly in villages -- including small and remote ones -- which have no permanent commercial network. There are 115,000 such villages in the country claiming about 7 million inhabitants.

The Tsentrosoyuz board considers as necessary that all potrebsoyuzes take action to develop a distinct and specific program for restructuring the commercial service system for each rural area, and, while keeping in mind the new construction, reconstruction, and rationalization of the existing network, create as early as this five-year plan conditions under which rural residents can satisfy all their needs where they live, without travelling to cities to make their purchases. This means that villages proper must be the sites for strengthening and expanding a network of stores satisfying everyday needs; stores be opened in houses in the case of small and remote populated points having few residents; the populace be served on a regular basis by means of mobile marketing. We must set up in central areas of kolkhozes and sovkhoses and in rayon centers well-equipped department stores and specialty stores, including commission stores, which will offer non-food items. All this should be organized along with a broad system of additional commercial services.

We must set up everywhere an adequate system of stores specializing in lumber and construction materials.

It is also necessary to make local determination relative to charging consumer cooperatives with commercial functions in rayon centers that are administratively listed under cities. This is necessary in order to have a truly unified system for servicing the populace in each rayon, from remote villages on the one hand, to rayon centers on the other.

Second, we must do away with the extremely obsolete way in which the retail network is supplied. This should be a priority matter for the boards of the Russian, Kazakh, Azerbaijani, and Tajik potrebsoyuzes, where the material and technical wholesale link base is especially poorly organized. Since there was no network of modern interr rayon bases, many people were quick to eliminate the wholesale link at the rayon level.

An extremely undesirable feature of the present system of supplying merchandise is the need for store managers and salespeople to travel to bases to obtain goods. We must make it perfectly clear that restructuring in commerce will become effective when we set up -- and set up we must -- a stable system for supplying merchandise to stores. This must include consideration of category, specialization, location, goods turnover, etc., of the stores.

It is also advantageous to convert non-cost accountable warehouses into independent commercial bases, thus increasing their role and responsibility for supplying consumer items to the rural commercial network. It is necessary along with this to strengthen the role of interrayon wholesale bases as the basic link for supplying technically complex goods.

Third, we must change our attitude toward the merchandise sales process proper. We must dispense with mere passive display in a showroom, instead substituting active methods of offering merchandise on the basis of regional, national, climatic, and other peculiarities, with respect for the type of clientele becoming second nature. We must devote effort to intelligible advertising, information presentation, and active forms of trade to be carried out outside the stores.

We must not be satisfied with the present development level of public feeding. Only a quarter of the population benefits from the services of this socially extremely important branch. Seven thousand kolkhozes and sovkhoses lack cafeterias. Even here there is sometimes evidence of departmental interests, indifferent and passive attitudes on the part of cooperative members, and weak ties between the latter and former.

It is no accident that the growth rate for local production has not exceeded 4 to 5 percent in the last few years. The retail commercial network is underused as a means of merchandising public feeding products. As a matter of fact, it is not used at all by the Uzbek, Georgian, Azerbaijani, and Armenian potrebsoyuzes, and by many potrebsoyuzes in the RSFSR.

Every republic must develop and realize an accelerated public feeding program, with the intent of raising the sale of local production by 1.5 to 2 times in as early as the present five-year plan.

To accomplish this, we must work with Gosagroprom organs, kolkhozes and sovkhoses to determine locally the actual condition of the public feeding material and technical base and arrive at a clear understanding of who must resolve within a specific time period the problems of building availability, equipment provision, and personnel training. We must be more aggressive in realigning enterprises which previously dealt in alcohol.

An example of objectivity and initiative in approaching this problem is the Latvian potrebsoyuz. In the last year and a half, 100 public feeding enterprises previously dealing in alcohol have been realigned. They were replaced in a short period of time by confectionery shops, dairy and vitamin bars, specialty snack bars, and cafeterias. Public feeding has assumed 22 percent of food product sales, with local production accounting for 72 percent of branch turnover.

The end result can be appreciated by considering that 30 rubles of public feeding local production sales per person is the Tsentrobroyuz average, while for the Latvian potrebsoyuz this amounts to 82 rubles. We consider it necessary to propose the specific task of increasing this year's local production sales by 12 to 15 percent; an additional 300 to 400 million rubles will be earned in this manner.

To shift to the practical side of the problem, I want to mention an enormous reserve -- restaurants, light food bars, and other enterprises. Since there are times when these establishments are not serving guests, their kitchens could utilize this opportunity to produce confections, specialty foods, and semi-processed foods, and sell them via a specialty store network or specialty departments of food stores.

Let me make a simple estimate. If all the stoves in the Rospotrebsoyuz system were used to bake confectionery items in accordance with established norms, we would produce an additional 120,000 tons of these foods; turnover in this manner would rise by 145 million rubles. Due to limited use of capacities in the Uzbek potrebsoyuz, we suffer an annual loss of about 20,000 tons of confectionery items having a monetary value of 25 million rubles. We must take stock of our capabilities in all areas of the country without exception and enlist all cafeterias, food bars, and restaurants in the preparation of confections, specialty items, and semi-processed foods for the purpose of satisfying consumer needs completely.

The vacation season is approaching. This is another area where we possess enormous capabilities and reserves. The Moscow potrebsoyuz has developed measures to prepare public feeding enterprises for the season. It is planned to open additionally about 100 summer pavilions and kiosks; equip 50 refreshment points; develop extensive activity in kvass and non-alcoholic beverages; and utilize all the capabilities of restaurants to supply the commercial system. Under this arrangement, cooperative members, in addition to creating good conditions for rest by Moscow residents, will benefit from additional goods turnover of 7 to 8 million rubles for the summer months.

Our system is faced with new and difficult tasks relative to developing municipal cooperative trade. The latter's scale is constantly increasing; the approaches proper needed to organize this trade must be changed radically. Cooperative trade should become a permanent and reliable source of satisfying citizen demand for various food products, a flexible channel for interrepublic and interoblast exchange, and an important vehicle for influencing kolkhoz market price reduction.

The CPSU Central Committee and the USSR Council of Ministers recently passed the decree "Measures for Improving Kolkhoz Market Operation". In accordance with its passage, kolkhoz markets under the jurisdiction of the USSR Ministry of Trade, and housing and municipal management ministries of union republics, are transferred to consumer cooperative organizations. This measure is a consequence of objective evaluation of the situation and of the role our system plays in the food supply chain. There is no other organization in the country which is more suited to take on the problem of restructuring the management and organization of the kolkhoz trade.

Kolkhoz market turnover in the last 15 years has doubled, while product sales have remained unchanged. The entire turnover increase was due to higher prices. The material and technical base situation is unsatisfactory. Of the 6,000 markets in the country, only 460 are located under a roof; fewer than a third are provided with warehouses and storage compartments; only 2 percent have a

vegetable storage facility; 9 percent, cold storage capabilities. Mechanical and vehicular support for the markets is highly inadequate. For every 100 commercial outlets on the average, there is one outlet in hotels or kolkhoz homes. Thus, it should be clear that further development of kolkhoz markets requires taking substantial measures to replenish fixed capital, reconstruct and re-equip existing markets, and erect new facilities.

The decree passed by the CPSU Central Committee and USSR Council of Ministers makes provision for allocating up to 200 million rubles annually for constructing, rebuilding, and improving kolkhoz markets, pavilions, and other facilities in 1988-1990. This amount is to be made available by reducing the income taxes on profits earned by consumer cooperative organizations. Of great importance to us is timely determination of the exact work to be done in facilities requiring construction and rebuilding; preparation of planning estimates; and resolution of the contractor problem, with a view toward total obligation of allotted funds.

A major problem is that of resources for the kolkhoz trade. Figures compiled by the USSR CSA [Central Statistical Administration] indicate that kolkhoz market turnover in 1986 amounted to 8.7 billion rubles, with sales by consumer cooperative organizations accounting for 1.4 billion rubles, or only 16 percent. Our volumes of vegetables, potatoes, and fruits sold by kolkhoz markets are very small. It is required that we take effective measures to increase the resources to be sold in cities via the cooperative trade network, primarily by expanded purchasing from citizens' subsidiary farms, and also from kolkhozes and sovkhoses.

Much significance attaches to the fact that, starting as early as this year, the decree makes provision for determining in the plans for agricultural product use the volumes of fruit, vegetable, and potato output which will be supplied by kolkhozes, sovkhoses, and other agricultural enterprises for sale by consumer cooperative organizations and kolkhoz markets. It is judged advantageous for the period 1987-1990 to release consumer cooperative organizations from the function of supplying the all-union and republic funds with potatoes and the greater part of fruit and vegetable products. This function is to be transferred to USSR Gosagroprom enterprises and organizations when they complete their preparations.

This will make it possible to offer for sale through the cooperative trade network and kolkhoz markets the greater part of agricultural output purchased from people, kolkhozes, sovkhoses, and other agricultural enterprises at negotiated prices.

Now for a few words about the Moscow trade. The capital has seen the opening of 48 new cooperative stores and the organization of 19 purchasing enterprises at kolkhoz markets. Many new factory outlets have become popular, but their operation does not as yet exhibit stability.

The main problem now is one of organizing an efficient and permanent system for supplying these stores with suitable products, maintaining at all times



originality and national flavor of selections, and providing service of high quality.

#### Improving Personnel Work Under Restructuring

The conclusion made at the January Central Committee plenum relative to the need for a personnel policy that is responsive to restructuring tasks and to the requirement for accelerating socio-economic development is fully applicable to the Tsentrosoyuz and to all consumer cooperative activity.

We have a considerable personnel potential. Of the 3.5 million workers in our system, graduate specialists make up a quarter of the total. Influx of young people has increased sharply in the last few years. We can say with full justification that we have personnel that are fully capable of resolving larger and more demanding tasks in the struggle for restructuring, acceleration, and efficient management.

Nevertheless, there are serious shortcomings and faults in the personnel situation. The major shortcoming is one of absence of planning and purpose. There is a lack of a distinct system for rating job-related, political, and moral qualities of workers, and for preparing personnel for advancement. The role of personnel services, starting with the Tsentrosoyuz and ending with consumer societies, is one merely of technical functions; their influence on personnel policy is extremely limited, at times nonexistent.

Manager retention is poor. Every year a fifth of board chairmen of raypotrebsoyuzes, raypo organizations, and rural consumer societies leave their positions. In the last 2 years there have been 64 resignations of board chairmen in republic, kray, and oblast potrebsoyuzes; every fourth instance was one of malfeasance.

Let me cite an example by way of the Perm oblpotrebsoyuz. With 28 raypo organizations there, 42 chairmen left in the five-year period. Of the raypo board chairmen elected in 1986, six are no longer in place. In the present situation, 50 percent of board chairmen in cooperative organizations lack a higher education; in only 25 percent of all cases is the position of deputy chairman held by specialists possessing a higher education. Of the persons occupying the position of raypo board chairman, there are a former forester, sovkhos foreman, irrigation worker, tractor operator, and driving instructor -- persons who possess neither a basic education nor experience of working in a cooperative.

With all this personnel leap-frogging and confusion, how does the Perm oblpotrebsoyuz cope with its plan requirements? In 1986 only 89 percent of the retail goods turnover plan was accomplished. Production plans were not met; as a matter of fact, compared to last year the cooperative enterprise production volume was even lower. The profit plan was frustrated and losses climbed. Thirty cost accounting enterprises and associations finished the year at a loss.

The absence of a reserve and of care in selecting and placing personnel is often evident in failure to perform timely evaluation of persons who exhibit poor job performance and in frequent transfer of incompetents.

Experience indicates that many shortcomings, irregularities, and various abuses are traceable to absence of proper personnel supervision. In this connection, we have not only individual workers but also entire organizations that do not undergo an evaluation for years; they do not make an accounting of themselves to superior organs or cooperative members. In this manner, they in essence place themselves beyond control and criticism. This situation needs radical improvement. Matters should be arranged so that each manager must be subject to constant control, both from above and below, feeling responsibility not only toward his superiors but also toward those he manages, exercising self-criticism of his work and behavior. It is necessary to discover managerial shortcomings in time and subject errors to proper criticism. In this manner we can prevent serious blunders and maintain work integrity.

Inherent in consumer cooperative work is entrusting personnel with enormously valuable physical assets.

What sort of arrangement does the system have for selecting persons capable of bearing this responsibility? The most basic rules are violated. This is one of the major causes of losses, theft, and mismanagement. Losses last year totalled 40 million rubles; of this amount, only half was restored. Material loss is accompanied by enormous losses of another kind -- moral and ethical. Security is especially poor in the Kazakh, Uzbek, and Tajik potrebsoyuzes, and in many potrebsoyuzes of the RSFSR. Losses in 1986 rose in the Ukrainian, Azerbaijani, and other potrebsoyuzes.

We need more effective and forceful measures to prevent theft and much stricter observance of established order in the selection of responsible persons, in accountability and control. To combat this hideous phenomenon, we must apply the full authority of cooperative activity and bring about much more effective procedures relating to bookkeeping, monitoring, personnel work, specialists and managers in branch subdivisions.

We must apply lessons learned from the past to work locally with party and soviet organs for the purpose of repairing the personnel system and tying it to the key directions in the struggle for restructuring and acceleration.

Many facts undeniably attest to relating success in this matter to initiative, enterprise, and competence on the part of personnel.

Take the example of Anna Georgiyevna Gumanenko, who is the board chairman of the Novosibirsk raypo and member of our soviet. She is a highly energetic and responsible person. She gives all of herself to all aspects of our activity. With impressive attainments already to her credit, she skillfully managed her collective to produce a 19 percent gain in retail goods turnover in only one year -- 1986 -- and effect a 25 percent increase in local product sales. Vegetable sales to the populace rose by 43 percent, while fruits showed a 60 percent increase. Efficient work made it possible to earn a 2 million ruble

profit; this means that the basis has been laid for accelerated development of rayon cooperative economy.

At the same time, in the same Novosibirsk Oblast there are many rayon cooperative organizations headed by managers who are unwilling to accept responsibility and who accomplish little. This passes unnoticed by the oblast potrebsoyuz board.

Many people are familiar with the Agro association of the Estonian potrebsoyuz. It is headed by Olev Oskarovich Kiudsoo, a good organizer and specialist. I can state without exaggeration that the most modern flower growing technique is in use there. Annual sales of flowers amount to 6 million rubles, with profit exceeding 2 million rubles. Although it would seem that this should be sufficient, the association is striking out in new directions. Two mechanized cattle farms were created, fodder crop cultivation organized, and a product processing shop erected. This is what can be accomplished by energetic and enterprising people.

The agroindustrial combine of the consumer cooperative in Rishstanskiy rayon of Fergana Oblast is headed by Arkadiy Georgiyevich Avetisov. This combine includes subsidiary farms and shops that produce lunch meats, non-alcoholic beverages, ice cream, bread and sweetbreads, and smoked fish. More than 10 million rubles' worth of food items is produced here annually. This amount exceeds that of some oblast potrebsoyuzes. In addition, the Rishtan combine generates a half million ruble annual profit, while most other subsidiary farms in the Uzbek potrebsoyuz operate at a loss. What is the explanation? The answer of course is one mostly of calibre of personnel.

Many examples similar to the above can be cited. They all illustrate that the major factor in personnel policy must be selection of managers and specialists who can bring their organizational talents to bear toward full utilization of the enormous possibilities, economic potential, and democratic management principles of our system.

What must be done without fail to make personnel management in our system more responsive to today's requirements?

First, we must analyze available personnel potential in each potrebsoyuz thoughtfully and purposefully, with the intent of bringing new forces into play. We have hundreds of thousands of VUZ and tekhnikum graduates; a fifth of them occupy jobs not requiring a higher or secondary specialized education. By the same token, almost half of all board chairmen of rural consumer societies, and one-quarter of all board chairmen of rayon cooperative organizations, have no specialized education. We must devise a suitable system for examining, training, and promoting persons into managerial positions. This is the review season in consumer cooperative organizations. We must see to it that the review provides the workers with an objective evaluation and that current personnel problems are resolved. I will say again that, for this to be fully possible, we must employ democratic principles in manager selection. We must arrange matters such that cooperative members and labor collectives consisting of several persons select the most worthy persons.

Second, we must start operating on a new basis to organize certification of responsible workers in cooperative organizations at all levels. Certification should become an effective form for collective evaluation of personnel, motivating qualification improvement, and for enhancing the sense of responsibility for the job at hand. Certification should determine suitability of workers to the position they occupy and provide an evaluation of their political and ethical qualities. The certification process should produce practical conclusions, including necessity for personnel transfers.

Third, we must restructure personnel training, qualification improvement and the entire cooperative education system. Relative to training of personnel for the mass professions, we must resolve the task of converting vocational and technical schools to secondary specialized educational institutions. This will make it possible to bring training of this worker category more in line with the school reform requirements, expand this class of worker, and raise education quality.

The content and form of specialist training must be radically revised in VUZ's and tekhnikums. It must be admitted that the competence level of our VUZ graduates is still low. The concept of a cooperative education pursued while holding a productive job has not justified itself. Passive forms of training and traditional lectures predominate in the educational process; insufficient importance is attached to independent work by students, practical exercises, gaming, and analysis of specific production situations.

Joint work with the USSR Minvuz has resulted in suggestions for effecting radical changes in specialist training.

By bringing about improvements in VUZ and tekhnikum activity, we must promote effective interaction between educational institutions and cooperative organizations. Potreboyuzes should accept the responsibility of timely determination of their actual requirement for specialists, selecting candidates for subsidized VUZ study, and creating conditions conducive to the conduct of production practice. The VUZ is obligated to inject quality into the process of specialist education in accordance with system needs. All this should be accomplished on the basis of mutual agreement.

We need to reorganize the branch procedure for personnel qualification improvement, introducing efficiency and continuity. Today, when the number of our specialists possessing a higher and secondary specialized education approaches one million, greater importance is attached to planned retraining and qualification improvement. Tsentrosoyuz has the important task of organizing the training of leading personnel for the consumer cooperatives, utilizing in this effort the experience gained by the USSR Academy of National Economy.

Fourth, we must adopt a serious attitude and strengthen without fail the personnel services, starting with Tsentrosoyuz and ending with consumer societies. Many persons in the personnel field are unqualified and should not be so employed. We must have a closer look at personnel office staffing, organize the training of personnel specialists, and enhance the prestige of deputy board chairmen in charge of personnel in cooperative organizations and of other workers in this important area.



Many managers present at this meeting of the soviet were only recently selected for their position. Time marches on; we must take action without delay and proceed energetically toward resolving existing problems.

The Tsentrosoyuz board, all cooperative organizations, and trade union organs must more actively seek to resolve existing social problems and develop educational work to a greater extent. We must exhibit more concern for creating conditions conducive to work, rest, and schooling of workers; insure as much as possible the success of residential and dormitory construction plans; support to the fullest the expansion of the system of children's pre-school institutions, pioneer camps, and cooperative health resorts. To put it briefly, we must strengthen the social orientation of our plans and of all our organizational and managerial activity.

We must raise socialist competition to a qualitatively new level and rid ourselves completely of formalism in this area.

In carrying out Lenin's legacy, it is necessary to elevate consumer cooperative activity to a new level and render it an active participant in the process of renewing our society and constantly striving for complete utilization of the tremendous possibilities of socialism.

The CPSU Central Committee and our government can rest assured that, at this decisive time of our country's history, Soviet cooperative members will assume active roles in the restructuring process, making their contribution to promoting the acceleration strategy and responding with specific deeds to the CPSU Central Committee appeal to the Soviet people relative to the forthcoming 70th Anniversary of the Great October Revolution.

COPYRIGHT: Sovetskaya potrebitelskaya  
kooperatsiya, 1987

13005

CSO: 1827/48

## UZBEK OFFICIAL REPORTS ON QUALITY OF GOODS, SERVICES

Moscow KOMMERCHESKIY VESTNIK in Russian No 9, May 87 pp 2-4

[Report of Gulyam Zakhritdinovich Zakhritdinov, deputy chairman, UzSSR Council of Ministers, as taken by KOMMERCHESKIY VESTNIK correspondent N. Rodionova: "Coordinate Our Efforts"; date and place not given; first paragraph is KOMMERCHESKIY VESTNIK introduction]

[Text] Increasing consumer goods production, expanding their mix, and improving their quality are among the most important party and state tasks. The state of affairs in this key sector is regularly examined at the highest level. No small amount of work is performed by the Oversight Commission of the Presidium of the Uzbek SSR Council of Ministers for the Production and Delivery of Consumer Goods, Trade, and Consumer Services and by the republic coordination center. At the request of our correspondent N. Rodionova, Gulyam Zakhritdinovich Zakhritdinov, deputy chairman, UzSSR Council of Ministers, describes what is being and will be done in the republic to supply stores with a variety of high-quality goods.

The republic has recently developed a large industrial potential for consumer goods production. More than two billion rubles were allocated for the construction, reconstruction and technical retooling of consumer goods producing enterprises under the 11th Five-Year Plan alone. A number of modern, technically well-equipped industrial enterprises, affiliates, and shops have been put into operation. Among them: the Andizhan Cotton Combine and the second phase of the Bukhara Cotton Combine; the Kara-Kalpak Cotton Production Association; capacities for the production of silk fabrics, hosiery and knitted goods, school furniture, sporting goods, ceramics, vegetable oil, confectionery and bakery goods, flour, groats, fruits and vegetables and other products. Last year, a weaving mill was put into operation in Dzharkurgan; a footwear factory--in Uychi; and textile production capacities--in Bukhara. Poultry factories, tens of storage facilities for potatoes, vegetables and fruit, a number of canneries, and hothouse combines have been built.

Approximately 450 additional enterprises have been drawn into the consumer goods production sphere during the five-year plan. Today, more than a thousand republic associations and enterprises produce in excess of ten billion rubles' worth of consumer goods a year.

Higher output has been the result not only of more effective capacity utilization, the reconstruction and technical retooling of enterprises, but also the improvement of production processes, the use of sophisticated supplies and raw materials, the lower materials-output ratio, and the economical use of all resources.

The republic, like the nation as a whole, has developed a comprehensive program for the development of consumer goods production and the service sphere in 1986-2000. It calls for increasing the production of nonfood goods by 46 percent by the year 1990. The one- and five-year plans for 1986-1990 call for the relatively more rapid growth of production of a number of key nonfood commodities (furniture, refrigerators, household chemical products, etc.) compared with the rates indicated in the program. The Uzbekistan CP Central Committee and Council of Ministers have issued special decrees on questions pertaining to the fulfillment of the program. They include decrees to increase the production, expand the mix, and improve the quality of goods for children; to develop light and local industry further; and to expand the footwear mix. Decisions have been made to improve the packing and industrial packaging of goods and the mix of toys, sporting goods and tourist goods. The course of fulfillment of the program is under the continuous oversight of the appropriate republic executive agencies. Ministries, departments and enterprises of union subordination and executive committees of Soviets of People's Deputies have already carried out a large-scale effort that has made it possible to overfulfill the 11th Five-Year Plan for the production of consumer goods by 800 million rubles and the 1986 target of more than 100 million rubles. All this has facilitated the elimination and dramatic reduction of shortages of many goods that are needed by the population.

We devote special attention to the assimilation of products based on prototypes of the Uzbek Affiliate of the All-Union "Soyuzpromvnedreniye" Association. At the permanent exhibition and at sessions of the council of experts and its branch commissions in this affiliate, questions pertaining to updating the product mix are systematically examined, similar products produced by different enterprises are compared with the aim of preventing duplication, and the search is made for the possibility of producing additional new products. Such exhibitions are also held regularly at the Exhibition of Achievements of the Uzbek SSR economy. As a result, more than 150 enterprises have undertaken the assimilation of almost 500 products in 1985-1986. A considerable percentage of these products is already being supplied to trade organizations.

It has become the practice to conclude five-year agreements between wholesale trade organizations and industrial enterprises, providing for the updating of the product mix, for improving the finishing and external appearance of products, for improving the packaging of goods, and other obligations promoting increased mutual responsibility. This is the basis for concluding annual contracts that concretize volume, mix, deadlines and other terms of delivery with due regard to the population's demand.

The results of all this work are appreciable. Our porcelain and earthenware, certain types of knitted and haberdashery items, silk and cotton fabrics, household chemical products, folk art and craft products, canned fruits and

vegetables, fruit and grape juices, and many other products enjoy high demand in Uzbekistan and beyond its borders. The delivery of goods for exports increases yearly.

Enterprises of republic subordination and local industry are making a substantial contribution to increasing the production of [consumer] goods. The volume of current consumer goods production in the Uzbek SSR Ministry of Light Industry exceeds 700 million rubles a year. It is actively restructuring production on the basis of changing market conditions. Unsalable products, especially "sundries," are being quickly replaced by products that are in demand. Cooperation with enterprises in other branches that supply components used in light industry products is effective. Heavy industry enterprises assist by fabricating machine tool attachments.

Local industry construction projects continue to be concentrated predominantly in small and medium-size towns, in urban settlements, and in rural areas with available manpower. Accordingly, 90 million rubles, a large quantity of highly efficient production equipment, and the necessary materials have been allocated to the Uzbek SSR Ministry of Local Industry under the 12th Five-Year Plan. In order to draw more of the able-bodied population into social production, it is planned to increase the number of homeworkers [nadomniki] to 30,000 by 1990 (compared with 14,000 in 1986).

New cooperatives for consumer goods production and for rendering various consumer services are presently being organized. This year alone it is planned to create 20 cooperatives that will make cabinetry and household goods, sewn and knitted goods, that will prepare ethnic foods, that will bake flatcakes, etc. The first such cooperatives have already been established in Tashkent as well as in Fergana, Samarkand, Tashkent, and other oblasts. They will unquestionably promote the more complete satisfaction of the population's needs for small-series products and services, will draw the unemployed population into production, will find and use local resources, secondary raw materials and production waste. However, their development is inhibited by the lack of the necessary normative documents to date, the preparation of which is the responsibility of [all-] union bodies.

Much attention is devoted to the more complete utilization of local raw materials and production waste for increasing the production of consumer and household goods. Under the 11th Five-Year Plan, the volume of products produced from local raw materials and waste was 1.59 billion and under the 12th Five-Year Plan will grow 1.6-fold. A comprehensive program has been developed for the use of secondary resources in the national economy.

An exhibit-trade fair was held for the purpose of increasing sales of various production waste, substandard materials, and billets for technical creative activity, individual construction, and repair work. It offered approximately 1300 models of industrial waste and substandard materials; more than 100 contracts were concluded. Work in this direction is continuing. "Skillful Hands" stores as well as departments and sections specializing in the sale of these materials have been opened in oblast and rayon centers and in large cities.



But the improvement of product quality continues to be one of the most important tasks. The production of goods bearing the revered pentagon and the "N" index is steadily increasing. The number of flows and lines that produce only excellent products is rising.

Help has also been forthcoming from state acceptance which is already in operation at the Samarkand Home Refrigerator Plant, the Tashkent Furniture Production Association, the Samarkand Furniture Factory, and the Krasnaya Zarya Sewing Production Association. Preparations for state acceptance are also under way at many other consumer goods producing enterprises. Nevertheless, there are still many problems here. Recordkeeping of technical norms has not been organized everywhere and there are not enough measuring, testing and monitoring means. The supply of enterprises with quality raw materials, supplies, and accessories is not at the proper level. Many *smezhniki* [factories producing parts for use by another] have not been converted to state acceptance.

Considering the special significance of the social tasks posed by the 27th Party Congress, the republic is devoting special attention to the all-round fulfillment of plans and targets by every ministry, department, association, and enterprise in the volume and mix agreed upon with trade organizations. We are trying to find ways of further increasing the production of goods through the maximum use of existing and creation of new specialized capacities; by increasing the shift coefficient of enterprises; and by more widely using local raw materials and production waste; by significantly improving product quality; and for accelerating the updating of the product mix.

The Council of Ministers of the Kara-Kalpak ASSR, oblast executive committees, and the Tashkent City Executive Committee of late have shown great initiative, persistence and demandingness in the search for additional reserves and potential for increasing the production of goods needed by the population.

An important part is played by the coordination center of Central Asian republics and Kazakhstan, the efforts of which are directed toward finding and using resources for increasing production and improving the quality of goods as well as the rational siting of their production in the region. Thus, in accordance with the center's recommendations, it has been decided to expand the production of baby carriages, abrasives, gardening equipment, hardware and plumbing supplies at Uzbekistan enterprises. Kazakh SSR enterprises will produce separators, three-program loud speakers, and spackling powder. Kirghiz SSR enterprises will produce mechanical toys, lamp glass, table games, etc.

Center sections and task groups are studying demand and market conditions, research and development work, and consumer durables in order to maintain continuous contact with industrial enterprises and trade organizations and to resolve the questions that arise. Exhibitions are being organized and lists of scarce goods recommended for assimilation are being drawn up. Information is being exchanged on the volume of production of goods at enterprises in the region.

Effective measures are also being taken to draw all associations and enterprises, regardless of their departmental affiliation, into the production of [consumer] goods, to secure the optimal use of local and secondary resources, the full utilization of production capacities, and the better coordination of this work.

At the same time, many unresolved problems remain. A number of union ministries such as the Ministry of Nonferrous Metallurgy, the Ministry of the Automotive Industry, the Ministry of the Petroleum Industry, and others, that, even though they have the possibility and despite the republic's requests, are not taking effective measures to significantly increase the production of consumer durables at subordinate enterprises. They are not even planning the production of sophisticated household appliances that the population needs and are not creating specialized shops and sectors. Expanded cooperation in the production of component assemblies and parts is required to satisfy the demand for individual types of products. However, interdepartmental barriers are still an obstacle. Thus, the Aviation Production Association imeni Chkalov and the Uzbektekstil'mash and Tashsel'mash plants could begin production of Feya and Malyutka washing machines but the given question cannot be resolved owing to the absence of electric motors. The Sredazelektroapparat Production Association is unable to organize the production of mixers and coffee mills for the same reason. The whole problem is that the Ministry of the Electrical Equipment Industry was for a long time unable to resolve the question of whether to build enterprises for the production of such electric motors in the republic. Many products ordered by trade organizations are not assimilated owing to the lack or shortage of the necessary equipment, plastics, polymer materials, and dyes. The allocated funds [fondy] frequently do not correspond to established production plans.

The task of completely satisfying the population's effective demand for quality consumer goods is the task of all the people and can be resolved only by common efforts. And everyone who is involved in its solution must display greater initiative.

COPYRIGHT: "Kommercheskiy vestnik", No 9, 1987

5013

CSO: 1827/87

## TULA OBLAST WHOLESALE TRADE NETWORK SURVEYED

Moscow SELSKAYA ZHIZN in Russian 14 Jun 87 p 2

[Article by V. Altunin, chief specialist, Agro-Industrial Committee, Tula Oblast: "Agrosnab Stores"; subtitled "APK: Restructuring of the Economic Mechanism"; first paragraph is SELSKAYA ZHIZN introduction]

[Text] The first agrosnab [agricultural supply] wholesale commission trade stores, which were organized in Tula Oblast last October, have already become very popular with economic managers. Why is this so? What are the difficulties and problems that have been encountered with the introduction of this innovation?

How many times have we, while visiting farms, listened to repairmen, machine operators, and technical personnel voice complaints about shortages of replacement parts and inefficiency of parts suppliers, who cannot ever supply anything! Frankly speaking, these complaints have started to be annoying. This spring, however, something new could be heard: "We were despairing of ever finding the parts we needed, but the agrosnab store came to the rescue. We turned to it for help and found that it had exactly what we needed!"

What kind of store are they? What is the nature of the new form of servicing kolkhozes and sovkhoses? This new kind of service started to develop spontaneously long ago. What was the usual situation then (and even now)? Needed replacement parts were not to be had on the farm -- nor at the base in the rayon, for that matter. The only recourse was for the chief engineer, mechanic, or even the chairman or manager to jump onto a motorcycle or a Uazik to visit neighboring and distant farms in search of a needed transmission, propeller shaft, or drive, on the basis of "give me a nut and I'll give you a bolt." On a mutually beneficial basis, that is. This kind of deal was often the most certain and reliable; there were almost no cases when a very scarce part could not be found.

"Why spontaneously? This is something that can be organized and made regular!" reasoned the oblast agrosnab. It was then that the thought arose to set up wholesale commission trade stores through which it would be possible to conduct unrestricted merchandising of above-norm supplies of replacement parts, equipment, and agricultural machinery available from farms, enterprises, and agrosnab organizations.

Are there many supplies of this nature? More than 12 million rubles' worth, according to the most modest estimates made by the oblagrosnab [oblast agrosnab]. This figure is approximate, of course. The exact amounts of above-norm supplies located in warehouses, repair stations, and bases of all kinds has yet to be established. However, you will agree that even this figure is impressive. The point is that these sizeable amounts of physical assets are lifeless, so to speak -- they lie around uselessly. In the meantime, tens and even hundreds of repairmen and engineers are pestering the agrosnab to no avail and driving around the district searching for needed replacement parts, materials, and equipment. This is how an artificial shortage is created.

Agrosnab wholesale commission trade stores are destined to be instrumental in reducing shortages and bringing into circulation above-norm supplies that are lying around like dead weight. There are five stores of this kind in Tula Oblast; in the future they will be set up in 23 rayons.

One store is located in the Proletarskiy Rayon in the city of Tula, in the area of the Proletarskiy Interrayon Enterprise for Material and Technical Supply. Upon entering a spacious building reminiscent of a warehouse, your eyes immediately fall upon a wide diversity of goods -- from a miniature bottle and all kinds of special work clothing to complex assemblies and subassemblies for machinery. It is even possible to acquire a complete machine, such as a pick-up and stacker, a mower, or silage combine. There are dozens of makes. As they say: "Pick what you like!"

"Do people pick what they like?" I asked store manager Aleksandr Mikhaylovich Syvorotkin.

"Sales are brisk!" he said with a smile. "The goods as a rule do not stay here very long. Representatives of oblast rayons arrive here right on schedule. They are chief engineers of the RAPO and farms, tractor brigade leaders, mechanics -- in a word, people who have direct contact with machinery, have an understanding of it, and who 'know what they want and how much it costs.' They look the items over, place their orders, and bring their lists or actual pieces of equipment they want to offer for sale."

The reader can gain some idea of the success of this endeavor by considering the following. At last year's end (the stores were organized in October), total sales of miscellaneous goods, machines, mechanisms, and parts amounted to more than 500,000 rubles, while for the first few months of 1987 total volume exceeded 400,000 rubles.

The first agrosnab trade fair was held in February of this year. It was set up on the base of the Proletarskiy Interrayon Enterprise for Material and Technical Supply. The program included displays of machinery and parts offered farms via unrestricted sale and exchange of technical information and experience gained in organizing technical services and supply. Orders for needed machinery and parts were also taken. More than 325,000 rubles' worth of orders were placed in only one day. There were shortcomings, of course, but the general feeling was that the fair was successful. It was decided to hold this kind of fair on a regular basis.



It may be said without exaggeration that agrosnab wholesale commission trade stores are a direct result of the changes currently taking place in the agro-industrial complex. As we all know, their essence lies in development of cost-accounting relationships and a realignment to the normative resource planning method, a method which presupposes a full accounting of the power ratio and of the material and technical situation on each farm. This means that use of material resources is coming under closer monitoring.

"The attitude held by economic managers will be undergoing a drastic change," remarked Viktor Petrovich Shuvalov, chief of the Oblagroprom Material-Technical Supply Association. "It was previously thought that the more you acquire, the better off you are. Now, however, above-norm surpluses are doing farms a disservice. In a word, we must learn to operate on the basis of equipment available and the production program. Wholesale commission trade stores have the purpose of developing the economic approach whereby, instead of keeping surpluses in your warehouse, you can share them with your neighbors."

However, only the first step has been taken. There are many difficulties and problems associated with the promising innovation. We could start by doing something about the failure of some oblast RAPO's to appreciate the new approach fully by becoming involved in developing a network of agrosnab stores. To develop this network successfully, in each rayagrosnab we must set up stands, if not stores or bases, to begin with, to carry on wholesale commission trade, thus making available needed information, parts, machinery, and equipment.

To obtain this information, we must carry out detailed preliminary, but extremely necessary, work with farms -- by setting up on each farm a supply service or at least appointing a responsible person. An order to this effect was sent out long ago to oblast agro-industrial committees, but many RAPO members are in no hurry to comply with it. As a result, in kolkhozes and sovkhozes of many rayons there are no persons specifically charged with supply responsibility; this function is assigned (unofficially at that) to one of the technical workers.

The above unresolved problem gives rise to another one -- lack of knowledge of exact amounts of above-norm resources available in the oblast. It will be difficult to accomplish this to obtain an accurate picture of the situation until inventory is taken at all farms. Only the first steps have been taken. This work should become the object of greater activity not only of the RAPO and farms, but also of enterprises and organizations under the agroprom and the Glavprioksksnab [not further identified].

We must proceed without fail to devote thought to providing space for stores, devising a system of information on goods, and organizing advertising. Of no small importance is another aspect: Although the position of "agrosnab store manager" sounds impressive, it is voluntary, with no remuneration made for the work. Here also we must apply the cost-accounting principle to devise an ethical and material basis to interest people. It is generally acknowledged that a great and necessary activity has been started. We must insure its maximum development and prevent the promising innovation from withering away.

## DRAFT GUIDELINES FOR NEW PENSION LAW DISCUSSED

Moscow SOTSIALISTICHESKIY TRUD in Russian No 4, Apr 87 pp 79-87

[Article by A. Solovyev, deputy chief, Social Security Administration, USSR State Committee for Labor and Social Problems: "A New Pension Law is Being Drafted"]

[Text] The decision of the Politburo of the CPSU Central Committee to draft the new Pension Law For Working People is oriented toward further improving living conditions for labor veterans and toward encouraging their more active participation in social production. The draft of the law must be submitted for public discussion.

The first question that arises in connection with this decision is: What necessitated the drafting of the new law? There is no consensus on this point. In certain cases, the existing pension system is depicted as being in a virtual state of crisis. The opinion of S. Shatalin, corresponding member of the USSR Academy of Sciences, is typical in this respect. He notes that "the last pension reform was carried out in 1956 and its provisions are now largely obsolete. The economic status of pensioners compared with the working population is steadily deteriorating. Taking the real growth of retail prices in the last 25-30 years into account, it can be said that their absolute standard of living is also declining." (1)

There is no doubt that the pension system introduced by the 1956 law is largely obsolete. The rest of S. Shatalin's evaluation of the existing pension system, however, clearly exaggerates its shortcomings.

What indicators can be used to compare the plight of pensioners with that of the working population? Obviously, the first item of comparison is the dynamics of the average size of pensions and wages. Naturally, it must not be forgotten that pensioners, unlike the working population, usually have no dependents.

In 1960, the average old age pension was 60 percent of the average wage of blue-and white-collar workers in the national economy; in 1970--44; in 1980--42; and in 1985--46 percent. Thus the pension-wages ratio has improved starting in 1980. In the case of collective farmers, the gap between pensions

and earnings has been bridged at a faster rate. In 1970, pensions on the average comprised only 19 percent of earnings; in 1985--31 percent.

Nor can the thesis that the living standard of pensioners has declined in absolute terms be considered to be true. Since the day the 1956 law took effect, the average size of old age pensions of blue-and white-collar workers has doubled while the size of old age pensions of collective farmers has almost quadrupled since the state system of pensions for collective farmers was introduced in 1956. As regards the retail price index, its growth has in any case been substantially less.

Positive trends in pension levels reflect a kind of reconstruction of certain norms that were established by the Law on State Pensions and the Law on Pensions and Grants for Collective Farm Members. Particularly important in this regard, was the introduction on 1 November 1985 of the mechanism for reviewing pensions in effect more than ten years so as to bring them closer to the level of newly awarded pensions for analogous categories of the work force. Obviously, with the appropriate adjustments, this mechanism can be incorporated in the new law as an important means of maintaining a certain ratio between the income levels of pensioners and workers.

It is also possible to name other measures implemented in recent years for the purpose of improving pension legislation. The minimum size of pensions has been raised repeatedly, conditions for awarding pensions have been improved, the pension age has been lowered, and conditions have been expanded for the payment of pensions to those who continue to work. Nevertheless, as a result of socioeconomic changes that have taken place in the nation, the legislative acts adopted in this area in 1956-1964 now lag significantly behind present and future demands.

The development of pension legislation has entered a phase in which individual amendments are no longer sufficient. Take, for example, the elimination of substantial distinctions between town and country, which was advanced as a basic task of social policy in the new redaction of the Program of the CPSU approved by the 27th Party Congress. With respect to pensions, the realization of this objective means eliminating unjustified differences in the conditions and norms for awarding pensions to collective farmers and blue-and white-collar workers. This cannot be done without a general revision of both laws and the preparation of a unified normative act.

Another contemporary problem--the problem of securing the ever more complete implementation of the principle of social justice, which presupposes the consistent realization of the principle "from each according to his abilities, to each according to his labor." The pension system must ensure the connection between the conditions of awarding pensions and the size of old age pensions to [workers'] labor contribution.

Of course, it cannot be said that this connection is absent from existing legislation. Depending on the nature of the work and working conditions, the grounds for awarding pensions as well as the norms governing them are differentiated. Let us say that a miner is eligible for a pension at the age of 50 after having worked a combined total of 20 years. At the same time, men

working in conventional jobs are eligible for pension at the age of 60 years after having worked a combined total of at least 25 years. Miners' pensions are higher than those of other workers. The size of pensions is determined on the basis of average monthly earnings, which in principle reflect the quantity and quality of work.

However the existing relationship between pensions and the labor contribution is insufficient. During the years in which the Law on State Pensions was in effect, the average wage almost tripled, the minimum size of the old age pension increased 1.7-fold, while the maximum size of the old age pension remained stable (120 rubles). As a result, leveling tendencies have become increasingly evident here.

The procedure for determining average monthly earnings also exerts an influence in this same direction. At present, as is known, the pension is usually computed on the basis of earnings in the last year of work. Under this system, it is entirely possible that a person who has performed slipshod work in the preceding labor period, goes from place to place, has long interruptions in his career, will land a highly paid even if not very appealing job in the final year. The result is that the existing legislation makes it possible to award the same size pension to people who have contributed different amounts of labor.

We also believe that the time has come to make certain changes in the conditions for awarding special-benefit [lgotnyye] pensions. Indeed, can one agree with a situation in which a person who works only 10 years in a job specified in the Lists [Spiski] (that enumerate occupations conferring pension benefits) and a person who has worked in such jobs 20 or even 25 years receive the same benefits with respect to age and frequently with respect to size of pension as well. What is more, with the development of scientific-technological progress, working conditions and the character of labor have changed substantially in a number of cases. Many types of jobs and occupations today coincide in name only with those that were recorded in the Lists for special-benefit pensions in 1956; the hazard factor here has disappeared as a result of improvements or radical changes in technology while people are still eligible to retire on pension 5-10 years earlier. As a result, the state makes unjustified expenditures of monetary and other resources; part of the entirely able-bodied population leaves important and necessary sectors of social production early.

In letters to the USSR State Committee for Labor and Social Problems, many working people take note of a certain injustice which they see to exist in the fact that the law awards the same pension for 25 years of work as it does for 40 years of work. To be sure, one cannot fail to consider the fact that among men the number of persons who work the minimum 25-year period is negligible (not more than 2-3 persons per hundred persons reaching pension age). The great majority work practically as long as they are able to. And this is normal. The differentiation of women with respect to time worked is more considerable. But in any case, this question has social significance and requires a just solution.



The profound changes that are taking place in the economic mechanism all throughout the economy force us to take a new look at many principles in the existing pension system. With the conversion to full cost accounting and self-financing, we will obviously have to resolve different problems than in the past in the effort to maintain the optimal stability of work collectives, the dynamicity of cadres, and incentives for people to continue working after reaching pension age. In all probability, the change in the correlation of centralization and the autonomy of enterprises will also affect the pension sphere, especially the part that is not performing its functions entirely. Thus, the question of preserving benefits for extended, uninterrupted work at the same enterprise in pension legislation for the future is an indisputable question, all the more so because as experience shows it is difficult to reach a just and effective solution here. It is sufficient to cite the example of the 20-percent increment that has evoked so much unfavorable criticism by labor veterans who have often lost the right to this increment through no fault of their own. Would it not be better if the enterprise itself took pains to retain the personnel it needs. It must be assumed that with the increasing economic and administrative autonomy of enterprises, they will have the necessary funds to do so.

Both the working people and specialists frequently raise the question of regulating certain parameters of the pension system in such a way as to take regional features into account. As we know, the material conditions of life are not the same in all parts of the country. This circumstance is taken into account in the organization of wages. As regards pensions, however, regional regulation is reflected in pensions only indirectly because the size of the pension is determined on the basis of wages. But because the maximum pension is standard for all regions, the action of regional coefficients through wages ceases at the corresponding level. Therefore, proposals on securing the more consistent regional regulation of the level of pensions are not without foundation.

Other pension legislation provisions are also evidently in need of revision and reciprocal coordination. They include, for example, the differentiation of the level of pensions depending on the social and occupational affiliation of working people. Not all existing correlations in this area are sufficiently substantiated. This applies above all to differences in the level of pensions of blue- and white-collar workers on the one hand and of collective farmers on the other. There is frequent discussion and criticism, for example, of the correlation between general and personal pensions, pensions awarded to scientists and specialists in other branches of the national economy, etc. Should pension legislation in some measure make provision for special norms that would make it possible to take the dynamics of consumer goods prices into account or not? No final answers to these questions have been found as yet.

As the history of development of pension legislation in the last three decades shows, material work incentives for pensioners is one of the most important problems. The difficulty of solving this problem is determined by numerous factors of a purely practical as well as theoretical, conceptual nature. The matter essentially boils down to two approaches to the evaluation of the nature of pensions. In the one case, pensions are regarded as a form of

maintenance of those who are unable to work by society and at society's expense; the other view is that it is a kind of deferred payment for previous work. The positions and arguments of advocates and opponents of material work incentives for pensioners in connection with the pension system are developed on the basis of these assessments. Indeed, if a pension is a form of society's maintenance of people who are unable to work, it should not be paid to people who are able to and who continue to work. If, on the other hand, pensions are payments that have been deferred until a certain age, they must be paid without any restrictions whatsoever, in all cases when people continue to work beyond pension age.

In our opinion, the deferred payment concept does not correspond to the nature of pensions and the basic principles of Marxism-Leninism on the distribution of national income under socialism. Does this mean that this approach altogether excludes the possibility of paying pensions to people who are still working. Of course it does not. However, it is our conviction that pensions should not be paid unconditionally in all cases, i.e., independent of the ability to work and other factors. We must not disregard the fact that the payment of pensions to people who are still working diverts a considerable share of funds in the social security system that are intended for the maintenance of those who are unable to work. In 1986, for example, this share comprised 10 billion rubles for old age pensions alone. Ultimately, additional material work incentives for pensioners solve problems that are outside the social security sphere: the utilization of labor resources and the supplying of enterprises, institutions and organizations with cadres especially in critical occupations.

Those who oppose paying pensions to people while they are still working believe that enterprises needing to hire pensioners should create additional material incentives from their own funds by establishing wage increments and other advantages and benefits.

Meetings held at the USSR State Committee for Labor and Social Problems with scientists studying social security problems, with representatives of enterprises and ministries of social security of union republics have brought to light substantial differences of opinion regarding material work incentives for pensioners. But it is illustrative that the absolute majority of the participants in these meetings, regardless of their affiliation with one or another group of participants in the discussion, do not consider it necessary to introduce the unconditional payment of pensions to all working pensioners.

Named among the negative consequences of paying bonuses to people who are still working, in addition to the enormous cost, were the difficulty of firing pensioners when they fail to cope with their obligations and their lesser material motivation to increase labor productivity since losses of earnings are compensated by the pension. Economic managers at many enterprises have spoken out against the payment of pensions to engineering-technical personnel on the grounds that the payment of pensions to them makes the current placement and promotion of youth difficult. Attention has also been called to the fact that the reason many pensioners desire to continue work and simultaneously receive a pension and their wages is the desire to render material assistance to their adult able-bodied children. In such cases, the

children have less interest in upgrading their skill levels, in increasing their labor productivity, in professional advancement, and in promotion.

Of course, the existing system of material work incentives for pensioners has in some measure been instrumental in filling unattractive, low-paid jobs. But nevertheless, other processes that inhibit the renewal of the work force also make themselves known increasingly. In particular, the release of a considerable number of workers is connected to the acceleration of scientific-technological progress and the conversion of the remuneration of labor in the productive sphere to the new wage terms. Clearly, the organization of material work incentives for pensioners should promote the rational redistribution of workers and specialists between branches and types of work in the interest of the entire national economy and should not be confined to specific social tasks.

All these aspects require careful analysis in the search for the most rational forms of incentives for elderly people to participate in social life and in production with due regard to their strength, abilities and potential but not to the detriment of the effort.

The major problems of formulating the new law include the problem of determining the age at which people should retire for the rest they deserve, which will serve as the basic criterion of the right to an old age pension. Letters with questions and proposals continue to arrive even though authoritative organs and leaders have repeatedly explained through the mass media that there have been no intentions to change or, more precisely, to raise the pension age. Nevertheless, the age topic is unceasingly the subject of discussion both in the scientific community and in society.

The experience of other countries shows that the age at which people retire on pension may vary greatly and frequently differs from the age we have adopted. The pension age in capitalist countries is as a rule five years later and in the case of women in some cases is even as high as ten years later. And even in the socialist countries, the age criteria are higher than in the USSR. In the German Democratic Republic and Polish People's Republic the age is 65 years for men and 60 years for women; in the Czechoslovak Socialist Republic, the pension age for women without children has been set at 57 years. What is more, the range of persons entitled to age-related benefits is much narrower in the pension systems of other countries than in our country.

Contradictory trends are observed in the development of legislation regarding pension age. Thus, starting in 1968 pension retirement age was lowered by 5 years for collective farm members, for blue- and white-collar workers in regions of the Far North and localities equated with them as well as for female workers in the basic occupations in the textile industry. The age boundaries of labor resources was appreciably narrowed thereby. This coincided in time with the worsening manpower shortage situation that resulted from other factors. Then the pension system was forced to make its contribution to the resolution of existing difficulties and contradictions. The example of the textile industry is illustrative. Soon after the pension age was lowered for female textile workers, there was considerable out-migration of these workers. The leadership of those regions where textile

enterprises were numerous decided to offer additional work incentives for female textile workers who had retired on pension. Accordingly, full pensions were paid to those who continued working.

This example graphically shows that the organization of the pension system influences the state of labor resources and experiences its feedback. We are far from thinking that the new pension law for the working people will change the general pension eligibility age. To be sure, there are also other opinions. It is proposed that the same pension retirement age be introduced for men and women, if not for all women, then at least for women without children. In our opinion, mothers of large families should, of course, have certain advantages with respect to pension age compared with those women who have not had interruptions in their work in connection with bearing and rearing children.

In any case, the time has come for a certain rectification of age benefits regardless of whether they affect old age pensions or long-service pensions.

With the general democratization of management in recent years, much is being done to engage work collectives in the effort to resolve various social problems. They should obviously also play a larger role in the pension sphere. It is also proposed to redefine the competence of the Supreme Soviet and the government in regulating pension terms and norms. There are numerous advocates of the most detailed regulation of pensions in the new law, who propose that only questions relating to the completion of documents and the pension payment procedure be made the responsibility of the government. Representatives of the other direction believe that there is need for greater flexibility here, and specifically that: those elements in the organization of pensions that are especially dynamic and that depend on many specific circumstances should be assigned to the competence of the government and that the arising needs for social development should be reflected more promptly in current legislative acts.

The Law should unquestionably address the problem of the correlation between pensions and wages. The previously mentioned article by S. Shatalin states that according to the calculations and proposals of a number of economists and on the basis of rational consumption budgets, pensions should comprise approximately 67-70 percent of wages. However, it must be noted that such a ratio does not exist in a single country. As a rule, the average pension is less than 50 percent of the average wage. In European CEMA member nations (according to the data for 1983), this indicator ranged from 41 percent in the German Democratic Republic and Polish People's Republic to 58-59 percent in the Hungarian People's Republic and Socialist Republic of Romania.

A lower level of pensions compared with wages is typical of the majority of the developed capitalist countries. Old age pensions in the USA, for example, are on the average approximately 30 percent of wages.

According to our preliminary estimates, in order to raise the average level of pensions to 67-70 percent of our average wage, we would have to increase



pension spending 1.5-fold. This, of course, is unrealistic since it would substantially alter the correlation between the labor remuneration fund and the social consumption funds in favor of the latter.

Based on the evaluation of the needs of pensioners without dependents and working people who as a rule have children or other family members as dependents, it appears advisable to keep the average pension at the level of 50-55 percent of the average wage in the national economy. But outside the centralized pension system, we can and should think of measures capable of raising pensioners' income level. In particular, the introduction of voluntary pension insurance (such proposals are presented in an article by E. Kagalovskaya) and supplementary pensions at the expense of work collectives would make it possible to raise the general level of pension support in conjunction with state pensions to specifically such a level (less than 70 percent of wages). Incidentally, the practice of supplementary pension support at the expense of the labor collectives' own funds exists not only in foreign countries but also in our country (for example, on collective farms).

How can the level of pensions be stabilized or, more precisely, how can the pension-wage correlation stipulated in the Law? We believe that the answer to this question must be sought in already existing practice. As is known, as of 1 November 1985 pensions that have been paid for a long time (ten years or more) will be raised. After ten years, every pensioner is guaranteed an increase in his pension by 10 percent of the earnings on the basis of which the pension was calculated. Every following two years, his pension will be increased by 2 percent of his earnings.

Such a mechanism can also be preserved in the future. But the present restrictions may obviously be weakened or eliminated altogether in the new Law. One of the restrictions concerns the size of pensions to which this procedure for raising them applies. It presently does not extend to those whose earnings were higher than 144 rubles, which is not entirely proper. The second restriction is the periodicity of raising pensions. It can be set at 5 years or another period in accordance with the dynamics of wages. The third and final restriction is the norm governing pension increases (in percent). It can also be corrected depending on the growth rate of wages.

In general, however, the formation of pension levels is determined by a number of such interconnected parameters as the size of the pension in percent of earnings, as minimum and maximum levels, as pension increments, and the amount of earnings that are calculated in assessing a pension. The period for which it is calculated is also of no little importance. It is also important to determine the measure of dependence of the size of the pension on the length of time worked as one of the indicators characterizing the relationship between the pension and the labor contribution. In order to secure the just differentiation of pensions, each of these parameters must be carefully analyzed, their ties must be evaluated and precisely regulated in the norms of the new Law. Their interaction should on the average secure the level that will be declared optimal for the period it is in effect (for example, 50 percent of earnings).

If we eliminate certain details, there are essentially two approaches to determining the basic size of the pension. One of them is to preserve the principle of the existing scale of pension norms in percent of earnings when the norm is inversely proportional to earnings. The second presupposes a completely different method. Its advocates believe that the Law should establish a basic pension sum; in the opinion of others, it should, for example, be equal to the minimum. The pension should be formed from one basic sum and a second component part that is determined in percent of earnings. For example, the basic part is taken as 60 rubles. Then, in the case of earnings exceeding 80 rubles, for example, 1 percent of total earnings in excess of 80 rubles should be added on for every year worked. Then, if the earnings are 200 rubles over a 30-year period, the pension will be: 60 rubles +  $(200-80)/100 \times 30 = 96$  rubles. In the given instance, 200 rubles are taken as the average monthly earnings. According to the scale existing at the present time, the pension will be 100 rubles (50 percent of 200 rubles).

Those who advocate preserving the existing mechanism for calculating the basic size of pensions proceed from the premise that their differentiation depending on length of service can be secured by a length-of-service increment. Thus, given earnings of 200 rubles, the basic size of the pension will be 100 rubles (50 percent of earnings) and for every year worked over 35 years the increment will be 1-2 percent of earnings or 2-4 percent of the basic pension, respectively. Another variant proposes calculating the increment for time worked longer than 25 years for men and over 20 years for women.

Thus, in both cases the differentiation of pension size is linked to the length of time worked. But at the same time, the specific length of time worked that is to be specially rewarded is an important question. In our opinion, the norm should be 35 years for men and 30 years for women. A man who after completing his education begins to work not even at 20 but at 25 years of age will have worked 35 years by the time he is 60 years of age. Consequently, there is no special merit in the fact that he has worked 30-35 years, for example, and there is no basis for claiming any special reward for having worked this length of time. There will obviously be justification for increasing pensions for time worked in excess of 35 years for men and over 30 years for women.

If men worked 35 years and women worked 30 years, it would be possible to keep pensions at the present level--55-60 percent of earnings (taking into account the 20-percent increment for uninterrupted service) and to increase the pension by 1 percent of earnings in excess of 80 rubles for every year worked beyond this length of service.

Minimum and maximum old age pensions are important parameters of the pension system. The necessity of continuing to establish minimum pensions is recognized by virtually everyone. There are, however, differences regarding the level of the minimum pension and the mode of expressing it in the Law. There are those who advocate a firm, fixed minimum and there are those who favor a flexible minimum. It is proposed that a norm in percent of the minimum wage (100, 85 or 75 percent, for example) be established as the latter.

Such a prospect is, of course, alluring. This would eliminate the need for periodic decisions to raise the minimum, as has been the practice up to now. However, it is difficult to implement this proposal as long as the present procedure for establishing the minimum wage is preserved, since it is not raised simultaneously in all territories and in all branches of the national economy. The existence of different minimum pensions is hardly justified. For these reasons we believe that it is preferable to establish a fixed minimum pension. We note, incidentally, that the sphere of application of minimum pensions is narrowing from year to year. At the present time, 2-2.5 percent of all new pensions are at the minimum level. With the introduction of the mechanism for raising pensions that have been paid over a long period of time, its action is also gradually limited in respect to pensions that have been awarded long ago.

The question of maximum pensions is more complex. The most extreme points of view clash here. There are voices calling for the total abolition of the "maximum." But if we follow such a road, we may find ourselves faced with the unjustifiably broad differentiation of sizes of pensions and, what is more, they will prove to be too burdensome to the nation's economy. A maximum is obviously absolutely essential. Our own experience and foreign practice demonstrate a broad spectrum of possible solutions. But in any variant, the first thing that must be done is to determine the relative magnitude of the maximum in comparison with earnings. The second thing that must be done is to develop a mechanism for forming the given level. The introduction of the "maximum" as a fixed quantity in the Law of 1956 "programmed" its systematic lowering vis-a-vis average wages as they increased. As a result, during the years the Law was in effect, it declined 2.7-fold even though individual adjustments were made. For example, in the 70s, minimum pensions were raised for miners [shakhtery], coal miners [ugolshchiki], builders of underground structures and certain others; in 1983 the maximum pension was raised to 132 rubles for labor veterans with a long general work history and with a record of continuous work at the same enterprise. Thus, if the fixed maximum pension is preserved, this can lead to the same type of consequences in the future.

Taking the foregoing into account, the proposal on a flexible "maximum" merits attention. Analogies are found in foreign legislation. It is appropriate, for example, to examine more attentively the experience of the Bulgarian People's Republic where maximum earnings of 130-140 percent of the wage rate are used to calculate pensions. This eliminates the need to establish a maximum because the maximum level of pensions in this case is already set; the upper limits of pensions lower as wage rates rise. However, when such a procedure is applied in our case, we can immediately note obstacles to its application since the actual earnings of many categories of workers are based on two or more wage rates. The restriction of earnings that are used to calculate old age pensions to even two wage rates would in many cases place blue- and white-collar workers for whom this would not have practical significance in an unequal position. Notwithstanding or, more precisely, considering this fact, we must attempt to find an optimal solution, drawing upon the experience of organization of the pension system in the BPR. Such a direction will be all the more deserving of attention because under the

conditions of the current wage reform, the objective is to return the role of principal wage regulator to the wage-scale system and to raise the share of the wage rate to 70-75 percent.

The period of earnings used to calculate pensions is a question that will have to be resolved. Of late, there have been increasingly insistent voices proclaiming the injustice of counting earnings on the basis of the last year alone. It is proposed that average monthly earnings for a five-year period (which has been envisaged in previous legislation but not applied) as the basic norm. Such a solution is probably possible but presupposes the introduction of compensatory measures. Otherwise, the simple abolition of the right to calculate pensions on the basis of the last year of work could result in the lowering of the overall level of pensions.

The existing procedure for determining the amount of wages that are to be taken into account in assessing pensions, specifically: the degree to which numerous types of bonuses, increments, additional payments, rewards, etc. are to be taken into account is quite complex. The Law of 1956 provides that the calculation of pensions shall not consider wages for overtime work, for the performance of multiple jobs, and all manner of payments of a one-time nature. It is often difficult to draw a distinction between payments of a one-time nature and those elements of wages that determine the system of labor remuneration, payments relating to the basic job, and payments unrelated thereto. Simplification is absolutely necessary here but it is of course necessary to distinguish between remuneration for labor and other incomes.

The ideas presented above on directions of reform of the pension system equally concern blue- and white-collar workers and collective farm members. The discussion centered primarily on old age pensions because they are dominant both from the standpoint of the number of people covered by them and the material costs even though we do not in any way downgrade the importance of disability pensions and loss-of-breadwinner pensions. They simply require separate discussion.

Such a major socioeconomic problem as material work incentives for pensioners in the national economy also requires special attention. It may also become the subject of a special discussion.

Implementation of the given proposals will in general necessitate additional expenditures (their share in the national income according to our estimates will rise by 1.5-2 percent). The corresponding redistribution of the consumption fund can be achieved through a certain increase in the wage rates that determine the size of payments by enterprises, institutions and organizations to the state social insurance budget.

Of course, the questions we have examined, which are related to the drafting of a new law on pension support for the working people, do not exhaust the entire complex of problems that arise in this connection. We have tried to identify the principal positions so that in the process of subsequent work on the draft of the law and in its public discussion we will be able to arrive at the optimal solutions. More detailed proposals are the business of the future.



FOOTNOTE

1. KOMMUNIST, No 14, 1986, p 69.

COPYRIGHT: Izdatelstvo "Ekonomika", Sotsialisticheskiy trud, 1987.

5013

CSO: 1828/133

## GOSKOMTRUD CHIEF INTERPRETS INDIVIDUAL LABOR LAW

Moscow SOTSIALISTICHESKIY TRUD in Russian No 5, May 87 pp 88-96

[Interview with L. E. Kunelskiy, chief, Consolidated Department for Labor and Social Problems, USSR Goskomtrud, by SOTSIALISTICHESKIY TRUD editors; date and place not given: "Individual Labor Activity. Questions and Answers"; first paragraph is SOTSIALISTICHESKIY TRUD introduction]

[Text] The Law on Individual Labor Activity is now in effect. Even though it was promulgated in November 1986 and many organizations took part in the preparations for its introduction, USSR Goskomtrud and the journal's editors continue to receive letters and requests to clarify and concretize its individual provisions and to offer "appropriate instructions." Accordingly the editors called upon L. E. Kunelskiy, chief, Consolidated Department for Labor and Social Problems, USSR Goskomtrud, to answer a number of questions which in our view will help to clarify not only the letter but also the spirit of the Law. Only then will it be possible to apply it with maximum benefit for our society and for the working people without waiting for ready prescriptions and detailed recommendations. In the given instance, they simply do not exist.

[Question] In order to give us a clearer understanding of the matter, please recall the principal factors that necessitated the adoption of new legislative measures enabling the state and society to exert a more active influence on the individual labor activity of citizens.

[Answer] Legislative measures aimed at the development of individual labor activity were adopted for various reasons of an objective and subjective nature. They are described in the most succinct form in the preamble to the Law which states that individual labor activity is used to secure the "more complete satisfaction of society's need for goods and services, for increasing the employment of citizens in socially useful activity, and to enable them to obtain additional income from the expenditure of their labor."

As is known, the population's demand for various types of consumer goods, for consumer, transport, and other services is not entirely satisfied. This is to a considerable degree associated with serious shortcomings in the work of the corresponding enterprises and organizations and concerns first and foremost the diversity and quality of goods and services. The population's needs are

constantly growing, new demands arise, tastes and fashions change more and more rapidly, and hence their satisfaction demands the development of such forms and types of labor that make it possible to satisfy particular individual tastes to a greater degree. Practically speaking, it is very difficult to realize this objective with the aid of state and cooperative enterprises and organizations. In this respect, individual labor activity is more mobile and flexible and its development is primarily aimed at satisfying the needs of the Soviet people more broadly and completely. While the social sector of the national economy naturally continues to be the dominant factor in the production of goods and services, individual work in this area should not be underestimated. What is more, individual work makes it possible to realize more fully the main principle of socialism: "From each according to his abilities, to each according to his labor" (both the first and second parts of this principle). The point at issue is to satisfy the desire of a certain part of the population to engage in useful labor activity for appropriate pay in addition to participating in social production.

Of course, at the present time, it is difficult to say specifically how many people will express a desire to engage in individual labor activity. Nevertheless, appropriate preparatory work being carried out by the executive committees of Soviets of People's Deputies suggests that number of these people is substantial. For example, when the possibility of using personal transport for individual carriage of passengers on an experimental basis was announced in Tallinn, over 1200 car owners immediately offered their services.

Quite a number of proposals are received on expanding activity in the consumer service sphere, in the fabrication of goods that are in wide demand, in the repair and technical maintenance of household appliances, including complex, highly sophisticated appliances, etc. While approximately 100,000 persons engaged in individual labor activity are registered at the present time, as a result of the adoption of the law their number to all appearances will increase several tenfold. The fact that citizens have a real need to expand the sphere of application of their labor is attested to by the following facts: fewer than one-third of the blue- and white-collar workers who have retired on pension continue to work; 20-30 percent of the workers polled at enterprises and in organizations and students in daytime divisions of higher learning and technicums expressed the desire to perform additional work if favorable conditions were created.

Nor should we fail to give full consideration to the fact that individual labor activity enables citizens to obtain additional income. The size of this income is naturally not strictly defined. Prices on products produced by citizens and rates on services offered by them are for the most determined by the agreement of the parties, but in a number of cases are regulated to a certain degree. Depending on the amount of income, accounts are settled with the state with the aid of an appropriate system of taxation or patent royalties. It is very important not to confuse "individual labor" with "activity" directed toward obtaining unearned income. Unfortunately there have already been cases where the rigorous, consistent struggle against bribetaking, thievery, and other illegal forms of citizens' illegal enrichment in a number of regions of the nation has been directed against persons engaging in individual labor activity. For example, the use of motor transport for

hauling passengers has been prohibited, unjustified restrictions have been imposed on the sale of vegetables, fruit, flowers, etc., in the markets. Another reason why this proved to be possible was that we had no legislative definition of individual labor activity. An even though certain types of labor activity existed in the past, the statutes previously in effect pertained to arts and crafts and other types of individual activity and did not in any way regulate new forms of such employment. All this inspired society to legislatively articulate the conditions of development of this type of labor and at the same time to forestall various negative phenomena that are possible in the sphere of individual labor activity.

What is more, individual labor activity, as we know, has in fact proven its effectiveness in a number of socialist countries. Individual labor in various types of crafts, in the service sphere, and even in trade is quite widespread in the German Democratic Republic, Hungary, Czechoslovakia, and other socialist countries. At the same time, the practice of socialist countries confirms the need to strictly secure the principles of social justice, to prevent excessively high incomes that are disproportionate to the amount of labor expended.

[Question] Since you are now addressing more specific questions, please explain once more what the concept "individual labor activity" includes.

[Answer] Here it is first of all necessary to determine to what extent it is appropriate to define individual labor as a special type of socially useful activity. Such activity differs substantially from activity in social production or in cooperatives in terms of the form of ownership of implements and means of labor, the form of the labor process itself, and the form in which the product is realized. First of all, persons engaged in individual labor make use of tools, accessories, implements and means of labor that are either their personal property or that are rented or leased from state and cooperative enterprises and organizations.

The specific forms and types of individual labor activity are determined on the basis of the initiative of the citizen desiring to engage in it. Naturally, it is also necessary to consider society's needs and interests. But whatever the case, proposals on the type and form of individual labor activity are made by the citizens themselves; the product or service is usually sold directly by the persons engaged in this activity. It is based entirely on the application of their own labor. Any form of hired labor power is forbidden in our country.

At the same time, it must be borne in mind that persons engaged in individual labor may, in accordance with the Law, employ family members living together with them--husband or wife, parents or other relatives and dependents, but with the mandatory condition that they are 16 years of age or older, in this activity. In order to prevent various types of hidden forms of hired labor power, persons engaged in individual activity may not as a rule have apprentices. In accordance with the established procedure, individual apprenticeship is only possible in the case of citizens that possess a high degree of mastery in the fabrication of rare artistic objects. Considering the importance of the further development of folk art and its traditions, this



is entirely understandable. The candidacy of such citizens is approved by art councils staffed by authoritative representatives of the appropriate types of folk art.

Thus, individual labor is a specific form of employment that differs substantially from work in social production. However this is by no means private entrepreneurial activity as it is frequently depicted in the bourgeois press. First of all, individual activity is based exclusively on the application of one's own labor, is carried out within the framework of the general socialist system of management and is not opposed to it. Moreover, it is also essential to consider its relatively restricted sphere, which excludes the production of the implements and means of labor.

While the development of individual activity cannot fail to influence the work of state and cooperative enterprises and organizations, this influence must be fruitful and beneficial. The fact of the matter is that more flexible individual activity and its higher degree of adaptability to the needs of the population make its higher "competitiveness" if that is the proper term. And this in turn must unquestionably also influence the "acceleration of turnover" of state and cooperative enterprises that produce goods for the population and perform various kinds of services. In other words, they run the risk of losing a certain percentage of their customers. And this circumstance will become increasingly appreciable with the transition to full cost accounting and the system of self-financing.

[Question] Now, having defined the principal concepts and the place of individual labor activity in the general structure of various forms of socially useful activity, please indicate the nature of the basic provisions of the Law, and the goals and tasks that it will help to realize!

[Answer] The Law defines the basic provisions regarding individual labor activity. It states who may engage in this activity and in what way. It indicates the specific forms of assistance that may be rendered to such citizens. The Law explicitly presents quite a detailed list of the basic types of authorized individual labor activity. It also enumerates types that are legislatively prohibited for one reason or another. Financial and other obligations of citizens engaged in individual activity and their interrelations with the budget are regulated. Thus, based on the observance of legislatively established norms and provisions, it becomes possible to develop individual labor activity widely and at the same time to prevent various kinds of deviations that violate society's interests.

The Law confirms the possibility of engaging in types of individual activity that developed a long time ago. The reference is chiefly to a number of types of work in the area of crafts and the service sphere. For example, the production and repair of clothing, footwear, hats, furniture, toys, household utensils, etc. The Law also applies to a number of new types of individual activity that were previously outside the domain of legislative regulation. This refers first of all to such types of services as technical maintenance and repair of means of transport, instruments, radio and television apparatus, various types of construction and repair work pertaining to the refurbishing of apartments, to the construction of garden cottages and other structures,

etc. Legislation authorizes the performance of barbering and cosmetic services, stenographic and typewriting work, and transport services for citizens. The possibility of providing services under the Law on the basis of paid individual labor activity to single, aged, disabled, and other citizens who are unable to work is of very substantial social significance. In order to improve the rest [otdykh] of citizens, it is important to organize pension services for them: to provide them with living accommodations, food, consumer services, etc.

The expansion of the application of individual labor in this sphere of activity as well must play a definite role in satisfying the population's need for sociocultural services. The reference is to various types of instruction for citizens (playing musical instruments, choreography, typewriting, etc.). It is also possible to conduct tutoring in subjects in the curricula of educational institutions ranging from elementary school to institutions of higher learning. Of course, all this activity can be carried out only if the persons engaged in it have a sufficient level of preparation. For example, those who engage in teaching as individual labor activity must have higher or incomplete higher education (at least 3 years at an institute) or secondary specialized education in the appropriate major. Persons with the honorary title of people's or distinguished artists may also teach dance and musical instruments; citizens who are members of creative unions may teach drawing and sculpture, etc. People are permitted to translate texts from foreign languages and languages of peoples of the USSR.

The authorization of physicians and paramedical personnel to engage in individual labor activity holds importance for improving the medical care of citizens. Naturally, only persons who have received special training at higher and secondary medical educational institutions are permitted to engage in such activities in the public health area. Considering the fact that such activity is directly connected to human health, the procedure governing its performance is defined in a special statute approved by the USSR Ministry of Health.

The state and society at the same time must protect themselves against types of individual activity that may harm the population or the state. Thus, legislation prohibits the fabrication and repair of any types of weapons, the production of poisonous and narcotic substances, reproduction and copying equipment, seals, fonts, etc. The maintenance of gaming establishments, the organization of games of chance, and betting on sports and other competitions contradict socialist morality and are therefore prohibited.

[Question] What do citizens require to commence individual labor activity? What conditions or documents are required to do so?

[Answer] In order to carry on individual labor activity, the primary need is for professional knowledge and skill; that is obvious. In the event of the inferior and unskilled performance of any work or service as individual labor activity, such persons will be compelled to cease this activity for the simple reason that they will have no customers. They must duly formalize their right to perform individual labor activity, which requires receiving the permission of the executive committee of the local Soviet of People's Deputies, including

settlement and village Soviets at the citizen's permanent place of residence. In order to facilitate and accelerate the development of these forms of labor, the executive committees of kray and oblast Soviets, councils of ministers of autonomous republics, and councils of ministers of union republics not having oblasts may define those types of individual labor activity that do not require permission. They are as a rule those types of activity that are particularly necessary in a given region, that are clearly in "short supply." The population must be widely and quickly informed about them.

In order to carry out individual labor activity successfully and with benefit, it is important to strictly observe the established procedure for this activity, to take into account the rights and lawful interests of the customers, to observe fire prevention rules and other established provisions and norms relating to the given type of work.

Regarding the settlement of accounts with the state, in all cases--whether or not a given labor activity requires permission--persons desiring to engage in this activity must obtain a registration certificate or patent from the finance departments of executive committees of rayons and cities. At the same time, citizens have the obligation to keep detailed records on their incomes and submit a declaration to the financial agencies on total their total income minus the cost of pursuing the given activity. The remaining sum is taxable under the established procedure. If a patent is acquired, citizens immediately make the appropriate payment, the amount of which is established by the council of ministers of union republics. The patent may be acquired for various periods of time, for example, for an entire year or another period of time.

[Question] In addition to the Law, what normative acts are required for its practical implementation have taken effect?

[Answer] The Law defines in quite considerable detail the conditions and procedure of engaging in individual labor activity. Therefore additional documents are few. In principle, however, individual labor activity must be regulated directly at the local level by executive committees of local Soviets that have the broadest powers in this respect. Documents adopted by way of implementing the Law can conditionally be divided into two groups.

One group consists of documents that in the nature of recommendations and that are primarily designed for executive committees of local Soviets so that their activity could be oriented toward a number of general provisions, even though they can make their own decisions on basic problems of individual activity. The reference is to the procedure for issuing authorizations, registration certificates or patents, the demands that are made on the qualifications desiring to engage in individual labor activity in the sociocultural sphere. The prices on goods and services are regulated in a certain way and different avenues are possible here. The first is to base sales on agreed-upon prices. Such a procedure will obviously be applied in the sale of folk art and craft products and in the rendering of various kinds of services directly to the customer. The second is the sale of the product on the basis of contracts with enterprises, institutions and organizations when prices must also be used by agreement. However there are certain restrictions here. These prices must

not be higher than state retail prices on similar goods and products produced by state and cooperative enterprises. Finally, if individually produced products are sold on commission in the system of commission stores or sections of state or cooperative trade, sales must be based on existing state retail prices with the usual commission being charged.

For citizens engaged in this activity, the form and procedure they use to sell the commodities they produce is also important. For example, craft products may be sold directly to customers at markets, through commission stores, or under contract with enterprises, institutions and organizations; folk art products may be sold at exhibition-sales or in other places specially designated by executive committees of local Soviets.

Another group of documents defines the rights and obligations of persons engaged in individual labor. If we speak of rights, under the established procedure they can obtain loans up to 3000 rubles for a period up to 2 years from Gosbank institutions. These funds can be used to acquire the necessary equipment, tools, raw materials, and supplies. The procedure has also been defined for acquiring raw materials and supplies, for renting equipment, etc., through the material-technical supply system. Such citizens are authorized to receive their full pension without regard to income from individual labor activity and without any restrictions.

In accordance with the Ukase of the Presidium of the USSR Supreme Soviet, a new taxation system has been legislated for persons engaged in individual labor activity. The tax scale previously in effect was in most cases substantially higher compared with the scale for blue- and white-collar workers. This led to a number of negative consequences: fewer people desired to apply their labor in individual form and those who did so tried to conceal their income. Now, for persons whose income is approximately at the level of the existing average wage or even slightly higher (up to 250 rubles a month), the scale of taxation is the same as for all blue- and white-collar workers. The tax is progressive in the case of higher income, e. g., above 500 rubles a month.

[Question] Which population strata and categories of workers are interested in the new possibilities offered by the Law?

[Answer] By way of preparing to implement the Law on Individual Activity, local Soviets of People's Deputies and labor organs are organizing the collection of information on persons desiring to engage in such activity. USSR Goskomtrud, other organizations, and newspapers and journals are receiving numerous letters from working people, pensioners, and housewives in this regard. Such sources make it possible to draw certain initial conclusions regarding the spheres and directions of individual labor that will develop in the near future and regarding who will be the "leaders" here.

Citizens desiring to engage in such activity are primarily those who do not need to acquire new or additional implements or means of labor because they already have them at their disposal. Car owners, for example, are ready and willing to engage in such activity. In Leningrad, Minsk, Kuypyshev, Riga, Ulyanovsk, and certain other cities in the nation, where this work is carried



but on an experimental basis, more and more cars with unusual utensils indicating that their owners have the right to transport passengers are appearing on the streets. But the question immediately arises: is it expedient to carry out such activity in general and what is its optimal form? In the course of animated discussion, the first question raised was traffic safety and the prevention of various kinds of accidents owing to the massive increase in means of heightened danger (as passenger cars are referred to by the GAI [State Automobile Inspection]) on the roads. Extreme points of view are expressed. Some propose that only professional drivers be authorized. Others maintain that everyone without exception desiring to engage in this type of activity be allowed to do so. Ultimately, what we regard as an acceptable approach was worked out. Permission to engage in this type of activity is granted only to private car owners who have at least 3 years of continuous driving experience, who have the appropriate medical certificates, and who can prove that their cars are in proper technical operating condition, etc.

Persons capable of repairing complex household appliances, performing binding, typing, stenographic work, etc., express an active desire to engage in individual labor activity.

Favorable opportunities for engaging in individual work are created when this work is performed on a contract basis with enterprises, organizations and institutions. In these cases, a host of advantages are enjoyed by those persons who perform individual work on a contract basis and by enterprises and organizations entering into contractual relations with the indicated citizens. From the workers' point of view, special conditions are created for supplying them, for example, with the necessary raw materials and supplies and for the sale of their products. Enterprises have greater opportunity to develop production, to improve the quality of their products, and to increase their output etc. This form also makes it easier to monitor individual labor activity. Constraints of this type can first and foremost be concluded by local industry enterprises, consumer services organizations, cooperatives, etc., with persons engaged in individual labor.

Many applications are filed concerning the production of simple but very essential products that are in short supply. Finally, proposals are received on the intention to engage in other, frequently unconventional types of labor activity such as boatbuilding, conducting excursions, etc.

[Question] In your opinion, what kind of difficulties can arise in connection with the application of the new law, particularly at the outset?

[Answer] Such difficulties may arise due to a certain degree of prejudice that still exists in certain cities and regions against individual activity when excessive organization, regulations, and unsubstantiated restrictions hinder its development. In order to prevent the very possibility of such barriers, it is advisable to appoint competent, energetic people to appropriate commissions operating under the auspices of executive committees of local Soviets in regions and cities. The commissions must obviously include representatives of various interested agencies, including those that are engaged in consumer services, the protection of consumer goods, the

organization of health care, that are active in education, etc. The commissions must perform all their work in an atmosphere of wide publicity with the involvement of the community. Such commissions have been created, for example, under the executive committee of the Moscow City Soviet of People's Deputies and its rayons, in many other cities and rayons of the RSFSR, the Ukraine, and other union republics.

On the other hand, there is the fear that the rapid development of individual labor activity may generate unjustifiably high incomes of individual persons and create certain "loopholes" for "fanciers" of unearned income. We note first of all that the majority of the persons who plan to engage in individual labor activity are unquestionably honest citizens. The fact that they will be able to legally and openly engage in individual labor under conditions that are normal from an economic and legal point of view, with the application of a substantiated system of taxation and payment for patents, is unquestionably the main condition to the exercise of this activity on a lawful basis. Why violate the law if all the conditions for working and earning are at hand without this?

At the same time, in order to avoid possible negative phenomena in this area, certain preventive methods are advisable. For example, when it is difficult to monitor total income, it is recommended that individual labor activity be formalized through the acquisition of a patent. The reference is to various types of activity associated with travel, with the repair and construction of housing, with photographic services for the population, etc. The patent form should only be used by citizens who declare the desire to sell their art and craft products outside the rayon or city where they reside.

Financial agencies and agencies of the USSR Ministry of Finance will have to oversee the activity of persons engaged in individual labor, enlisting the aid of competent representatives of the community in conducting the checks. Attention is also merited by the question of whether the individual activity performed corresponds to the activity for which the registration certification or patent is issued, whether the established procedure for acquiring raw materials is established, whether safety, sanitary, hygienic conditions and other rules are being observed.

Incidentally, there is one more quite serious question that is linked to the prevention of various kinds of inconveniences for the neighbors of those residents who use yards, gardens, etc., in their individual labor activity. A number of executive committees of local Soviets of People's Deputies are conducting a special inventory of unused structures and empty lots where it is possible to engage in individual labor activity without bothering the neighbors. Nonresidential premises belonging to local Soviets or enterprises can also be leased. Workshops can be located on ground-level or subbasement premises where everyone desiring to do so can perform various kinds of work without bothering those around them.

[Question] An "unfashionable" question: "Is there a danger that the interest in individual activity will to some degree divert part of the work force from labor in social production?"

[Answer] There will unquestionably be various difficulties in the initial stage of development of individual labor activity as in any other new activity. There will always be certain contradictions between the interests of the specific citizen, enterprise, and society in general. Of course, under our conditions they do not acquire antagonistic nature, but we must take into account possible changes in the life orientation of a certain segment of the population and in the system of economic interests of individual persons so as to overcome them on a socialist basis. Local Soviets of People's Deputies as well as enterprises and organizations that help people in this effort must show appropriate initiative here. At the same time that favorable prerequisites are created for engaging in individual labor, we must see to it that this activity does not lead to the exodus of citizens from social production. In the majority of cases, individual labor activity must be a second activity outside of working time or must be performed by persons with limited capacity for work: pensioners, invalids, housewives, etc. But such activity is not prohibited even as the basic sphere of application of labor for persons of able-bodied age if it is carried on in accordance with existing legislation and with due regard to social needs. For example, in a number of labor-surplus regions in Central Asia and the Transcaucasus, where some people of able-bodied age "settle" in personal subsidiary farming, the development of individual and cooperative activity can serve as an additional source of employment for the population. It is another matter in Belorussia or many other regions of the nation where social production is experiencing a major manpower need and the growth of labor resources is either extremely limited or totally nonexistent. Therefore, when authorizing people to engage in individual labor, local Soviets must most carefully consider the existing situation with the employment of population of able-bodied age and the degree to which enterprises, construction sites and institutions are staffed with the necessary personnel.

Of course there may be cases when workers who are already employed in production will try to find easier work so that their main efforts and abilities will be concentrated on individual activity in the time they have free from their basic job. However, there are numerous motives here of an opposite nature, especially the existence of a certain occupation and mastery that have taken time and effort to acquire. There is moreover the guarantee of wages in accordance with one's labor contribution and finally there is the collective. When taking up individual labor activity, such people run a certain degree of risk. The results of their labor depend entirely on their own initiative, on the market situation, on the demand for their products or the need for their services.

In the prevention of damage resulting from "cool" labor in the basic job, the most important thing is not by any means to surround the granting of permission to engage in individual activity with various conditions. Incidentally, no kind of authorization from the place of work is required to engage in individual activity. At the same time, enterprises, every subdivision, and every brigade, particularly with the introduction of full cost accounting or the conversion to the collective contract, must create an atmosphere in which disregard for the basic job would evoke the sharp condemnation not only of the administration but also, what is especially important, of the work collective proper.

The strengthening of labor and production discipline must also unquestionably be promoted by the adopted procedure for introducing new wage payment conditions in branches of the production sphere at the expense of and within the limits of funds earned by the collectives, by the transition to self-supply and self-financing when the dependence of pay and well-being on each of the general results, on the work of comrades becomes increasingly powerful.

In conclusion, it should be noted that the development of various types of individual activity depends directly on the satisfaction of the population's demand for goods and services. The better and more effectively state and cooperative enterprises and organizations work in the appropriate sphere of activity, the more gradually does the field of application of individual labor become increasingly restricted and undergo change. The chief arbiter here is the customer; the principal means is competitiveness. The important task today is to promote the development of individual labor, the potential of which is still not by any means being used to the fullest. The expansion of its application can and should be used for everyone's benefit: the population, society, and the citizens actually engaged in individual labor activity.

COPYRIGHT: Izdatelstvo "Ekonomika", Sotsialisticheskiy trud, 1987.

5013

CSO: 1828/142



## INCOME, TAXATION UNDER INDIVIDUAL LABOR LAW ADDRESSED

Moscow SOVETY NARODNYKH DEPUTATOV in Russian No 6, Jun 87 pp 101-106

[Article by V. Tur, deputy chief of the State Revenues Administration, USSR Ministry of Finance: "Private Work Activity and Taxes"; first paragraph is source introduction; capitalized passages published in boldface]

[Text] The USSR Law "On Private Work Activity" became effective as of 1 May of the current year. In connection with this, letters, the authors of which are requesting explanation of one or another matter concerning practical application of the law's standards, are arriving at the editorial office. In furthering our readers' expressed desires, the editorial office plans to prepare a series of expert-advice articles. We publish the first of these.

A great deal of preparatory work, done by the USSR Supreme Soviet and its Presidium, the USSR Council of Ministers, a number of USSR ministries and departments, the union republics' Councils of Ministers, and the ispolkoms of local soviets, preceded the law's becoming effective. Acts derived from the law were promulgated, many union and republic decrees were brought into accord with the law, and recommendations and instructions were developed for applying a number of the law's provisions.

Work to improve the tax legislation associated with the various forms of private work activity held an important position among the preparatory measures carried out.

The matter of the role of taxes as an important instrument of economic influence upon the process of redistributing the population's incomes was the subject of many discussions, in which, not only economists, lawyers, and other specialists took active part, but also the citizens, whose opinions were widely presented in the press and on radio and television.

The changes in the tax legislation, introduced by the USSR Supreme Soviet Presidium's ukase of 23 April of this year, reflect the viewpoints of all the parties, and contain much that is new in approach to this important sphere of the state's relations with the population.

First of all, the tax scales for citizens' incomes, derived as a result of private work activity or otherwise outside the sphere of national production, are significantly altered.

Before 1 May, the legislation on income tax from the population contained three rate scales, constructed on the basis of an increasing progression. As of 1 May of the current year, only two scales are prescribed. The following principles, established by the law on private work activity, are taken as their base: first, dependence of the tax upon the amounts of income derived by citizens; second, consideration of the social usefulness of one or another kind of activity.

What are the income tax rates now? If a citizen, who is engaged in private work activity in the realm of handicraft/trade or folk-art cottage industries, in personal services to the population, or in the social and cultural realm, has income of no more than 3,000 rubles a year from that realm, then, after determining the income's average monthly total, the same income tax rates are applied to it as when withholding tax from the pay of production and supporting service workers. After that, the annual sum of the taxpayer's tax obligations is determined on this basis. For example, it is determined that a citizen's income from a handicraft cottage industry amounts to 2,400 rubles a year. In this case, the average monthly income equals 200 rubles. According to the established rate scale for withholding tax from the pay of production and supporting service workers, the tax on 200 rubles amounts to 21 rubles and 20 kopecks. Consequently, its annual sum amounts to 21 rubles and 20 kopecks multiplied by 12, or 254 rubles and 40 kopecks.

If a citizen's income is greater, the tax-obligation progression increases proportionately. For the sake of clarity, let us illustrate the progression with specific figures. Given an amount of annual income from 3,001 to 4,000 rubles, the tax total amounts to 332 rubles and 40 kopecks plus 20 percent of the amount exceeding 3,000 rubles; from 4,001 to 5,000 rubles--532 rubles and 40 kopecks plus 30 percent of the amount exceeding 4,000 rubles; from 5,001 to 6,000 rubles--832 rubles and 40 kopecks plus 50 percent of the amount exceeding 5,000 rubles; and from 6,001 rubles and higher--1,332 rubles and 40 kopecks plus 65 percent of the amount exceeding 6,000 rubles.

As we see, the tax scale also increases in proportion to increase in income. For example, with an annual income of 4,500 rubles, the tax amounts to 15.2 percent of this sum, with an income of 5,500 rubles--19.7 percent, and with an income of 8,000 rubles--32.9 percent.

The second important change in the tax legislation is that now, for all the kinds of private work activity, the incomes from which are subject to taxation according to the rates cited above, a single tax-exempt minimum amount is established. If a citizen's income per month, on the average, does not exceed the existing tax-exempt minimum for production and supporting service workers' pay (Just now, as you know, this minimum amounts to 70 rubles), that citizen is not subject to a tax obligation.

This provision extends, not only to citizens who are engaged in handicraft/trade cottage industries or personal services to the population (For these, a tax-exempt annual minimum in the amount of 840 rubles existed previously as well), but also to citizens who are engaged in private work activity in the realm of folk-art cottage industries or in the social and

cultural realm (For these citizens, the tax-exempt minimum for the incomes previously was in the amount of 300 rubles a year). More: Formerly, if a citizen stopped engaging in a cottage industry, having received an income in the amount of 800 rubles during 2 months, he or she was exempted from paying tax. Another citizen engaged in the same cottage industry for the whole year, and received an income in the amount of 900 rubles, for example. In this case, the first citizen's average monthly income amounted to 400 rubles (without paying tax), while the second's--only 75 rubles (with payment of tax). It is clear that such a method of applying the tax-exempt minimum was not in accord with the principles of social justice. Therefore, it has been changed. Now, as has already been said, a tax exemption will be produced only in the case when average monthly income amounts to less than the tax-exempt minimum (regardless of how many months in the year a person may have been engaged in the private work activity).

It is prescribed by the USSR Law "on Private Work Activity" that the state encourage citizens' entering into cooperatives. This, by comparison with work forms of inherently private activity, is a more progressive form of citizens' organized participation in the production of products and rendering of services. The new tax legislation takes this circumstance into account. It is prescribed that members of cooperatives being formed now are liable to tax obligation on identical terms with production and supporting service workers for all incomes received for work in these cooperatives. This means that when work in a cooperative is the primary work for a citizen (for example, when a retiree, student, or housewife is a cooperative member), the same income tax rates apply to the income being received for work in the cooperative as to the pay of production and supporting service workers, and the tax-exempt minimum for pay and benefits for dependents also are in effect. If a citizen works in a cooperative on the second-job principle (that is, when his or her main job is at another enterprise, or in an institution or organization), then the tax-obligation system established for earnings from two or more jobs applies. This means that the tax-exempt minimum and the benefit for dependents do not apply.

The new tax legislation contains an extremely important provision, which has as its goal the stimulating of engagement in amateur art and leading it onto an organized development path. From the incomes of citizens, who are not members of creative unions, and who sell original works of painting, sculpture, drawing, or other forms of art, as well as articles of decorative applied art, through exhibitions and sales specially instituted by state, cooperative, or other public organizations, tax is taken at the same rates that apply when taxing the totals of author's compensation to the members of creative unions who use their works for profit on USSR soil. The tax scale does not exceed 13 percent in these cases. This measure ensures the citizens' interest in creating works of art that meet high requirements. Moreover, this change gives the amateur artists, themselves, a chance to sell works and articles under conditions of greater organization and convenience. With sale of the indicated works in another way (i.e., directly to the population, at markets and in other places), the tax will be calculated by the finance agencies, and exacted on the same scales as for incomes from the sale of handicraft/trade articles.

Some of the previously existing benefits are not only retained, but are also significantly broadened by the new legislation. Thus, in a rural area, whereas citizens of age--men 60 years and older, and women 55 years and older--whose farms are not subject to the agricultural tax, were mainly being exempted from income tax only on a handicraft/trade cottage industry, all forms of private work activity now will be added to this. Another example: Formerly, citizens permanently residing in regions of the Far North and areas equivalent to them were exempted only from paying tax on incomes from hunting or handicraft/trade cottage industries. Now the benefit is extended to incomes from occupations in any forms of private work activity.

**COMPUTING ANNUAL INCOME.** Significant changes have been made in the rules for the finance agencies' determination of citizens' annual income subject to taxation. Previously, it often happened as follows: Not having received declarations of income from taxpayers, some finance agencies, on their own initiative, and usually guided only by analogy with other taxpayers, determined the estimated income to the end of the year for the taxpayers, and computed the advance tax payments. At times this led to the income's being groundlessly set too high, and citizens were compelled to stop engaging in one or another cottage industry for this reason, inasmuch as it was becoming unprofitable.

It now is prescribed by the legislation that citizens, who begin engaging in private work activity, or who receive other income outside the sphere of national production, are, themselves, obliged to determine and show, in declarations submitted to the finance agencies, what amounts of income they expect to receive up to the end of the current year, and to report, in declarations after the year's end, what their actual incomes turned out to be in the year just ended.

In accordance with the law on private work activity, citizens are required to keep special account books of the incomes being received, as well as the expenses associated with the given form of activity, for preparing declarations of incomes. These books must be bound, and authenticated with the local finance agency's seal.

In this regard, it is very important to bear in mind that not all expenses are accepted for taxation purposes. Thus, not taken into account are expenses for: personal needs of the taxpayer and his family (for example, those for repairing, maintaining, and renting an apartment) and other purposes not connected with the private work activity; acquiring, maintaining, and repairing buildings, as well as acquiring and capitally repairing plant equipment; moves of various kinds; paying taxes and tolls; contributing to local public improvement collections; making payments on insurance, and paying fines.

However, expenses connected with acquiring raw material and materials (at prices no higher than the state retail prices), and with routine repairing of plant equipment are taken into account. Commission fee deductions are also taken into account when articles are sold through a commission-basis store.



As before, the finance agencies retain the right to conduct inspections and checks to ascertain incomes being received. It is stressed legislatively that citizens are required to admit officials of the finance agencies, without hindrance, into the living and other spaces where an activity, the income from which is subject to taxation, is performed.

Persons who have not submitted declarations of income, or who intentionally set amounts of income being received too low, are subject to being called to administrative and, in appropriate cases, even criminal account. Here one should bear in mind that the new legislation on income tax more clearly defines citizens' obligations for submitting declarations to the finance agencies: within a 5-day period after the end of a month from the day of the income source's inception. The amount of actual income during the first month of the activity and the estimated amount of income to the end of the current year are indicated in the declaration. Taxpayers' declarations of actual income received during a year are submitted by 15 January of the following year. Upon discontinuing an income source's existence, a declaration also is submitted within a 5-day period.

**REGISTRATION CERTIFICATE AND LICENSE.** To engage in one or another form of the activity, a citizen must first of all obtain authorization from the ispolkom of the regional, city, city rayon, village, or rural soviet for his place of permanent residence, or, if a folk-art cottage industry or the creation of works of decorative applied art is involved, from the art council under the soviet's ispolkom or under the appropriate enterprise, institution, or organization.

If the matter is favorably resolved, an appropriate order is sent to the finance department (administration). On its basis, the finance agency issues a registration certificate or a license to the citizen. Precisely these documents are proof of legal private work activity.

Persons who have received such a certificate pay income tax, but those who have received a license are exempted from paying the tax, inasmuch as they pay a fee in advance in amounts set by the union republic's Council of Ministers.

What is the difference between the tax and the fee for licenses? We shall tell you about this in detail.

The state, as you know, regulates private work activity from the standpoints of the occupations' legitimacy, the actual activity's correspondence to the authorized, the legality of the citizens' obtaining of raw material and materials, and the observance of public health, fire-prevention, and other requirements; but it also monitors the citizens' incomes being received in the process of such activity. This last function has been assigned to the finance agencies, which determine the amount of income tax due, and verify the fullness and timeliness of its paying.

However, there are kinds of activity in which the receipt of income lends itself to verification with difficulty; e.g., when an activity is associated with traveling, or in other cases (carrying passengers in private motor transport, photography cottage industry, raising aquarium fishes, etc.).

Taking this into account, the union republic's Councils of Ministers were instructed to establish a list of the kinds of private work activity, for the right of engaging in which licenses should be issued instead of registration certificates, and also to set the amounts of annual fee for the licenses. Guided by this instruction, all union republic's Councils of Ministers completed this work by 1 May of the current year.

When determining the fee for licenses, which, unlike the tax, is not associated with a specific citizen's amount of income, but is an average amount for a union republic or a more limited administrative region, both the average annual incomes of persons who are registered for taxation purposes at the finance agencies and the average annual earnings of those who are engaged in similar work within the national production sphere were taken into account. The amounts of the annual fees for licenses were set on the basis of these data and taking the income tax rates into account.

The profitability level of one or another occupation added up differently in each union republic. Therefore, the amounts of fees for licenses in similar kinds of activity differ substantially at times. For example, the fee for a license to carry passengers in private motor transport amounts to 560 rubles in the RSFSR, and to 450 rubles in the Kazakh SSR. In the Kirghiz SSR, the fee for a license to engage in portrait photography and other photographic work on citizens' orders is set at the amount of 140 rubles for the city of Frunze, 100 rubles for the oblast centers, and 110 rubles for the rayons and cities of republic subordination.

The fee for a license is paid before obtaining the license form. Persons who have paid it need not keep an account book of their incomes thereafter, and, accordingly, are exempted from submitting declarations of income to the finance agencies. However, the state reserves for itself the right to verify observance of the other rules for engagement in private work activity by persons working under licenses.

Not all citizens pay the fee. Exempted from it are Heroes of the Soviet Union; persons awarded the Order of Glory in the three degrees; Great Patriotic War invalids, or other invalids from among servicemen, who have become invalids as a result of a wound, internal injury, or maiming received while defending the USSR or while carrying out other military service obligations, or as a result of illness connected with being at the front; invalids from among former partisans, as well as other invalids equivalent to the indicated categories of servicemen in pension support; and invalids from among the internal affairs agencies' leaders and rank-and-file personnel, who have become invalids as a result of a wound, internal injury, or maiming received while performing official duties.

Participants, among servicemen, in the civil and Great Patriotic Wars or other combat operations to defend the USSR, who saw service in the military units, staffs, and establishments included in the composition of an army in the field, and former partisans pay for a license at half its amount.

To receive a registration certificate or license, citizens pay a special state fee in the amount of 5 rubles. In this regard, it must be borne in mind that

citizens who are included among the personnel of farms that are subject to payment of the agricultural tax do not pay the special fee for receiving a registration certificate. However, this benefit does not extend to cases of their receiving licenses.

During May and June 1987, the finance agencies have been required to issue new certificates in exchange for the old to all citizens who were engaging in private work activity under registration certificates before 1 May, and then obtained authorization to continue that activity. Here, the special state fee for receiving a new certificate the second time is not charged. A special entry is made about this on the certificate form, authenticated by the finance agency chief and a seal. In addition, the finance agencies are assigned the duty of ensuring the issue of registration certificates or licenses to those who are obtaining authorization for private work activity for the first time, making a recalculation of the amounts of advance income tax for those who will continue a previously begun activity, and computing the advance tax due for the new taxpayers.

Accurate implementation of the new income tax regulations adopted during development of the law on private work activity is one of the conditions for increasing the number of those desiring to engage in the activity.

COPYRIGHT; Zhurnal "Sovety narodnykh deputatov", 1987

12319

CSO: 1828/146

## CREDIT FINANCING FOR INDIVIDUAL LABOR ACTIVITY STATED

Moscow EKONOMICHESKAYA GAZETA in Russian No 21, May 87 p 12

[TASS report: "Credits for Individual Labor Activity. On USSR Government Decrees Adopted in Connection With the USSR Law on Individual Labor Activity"]

[Text] The decree of the USSR Council of Ministers "On Granting Credits to Citizens Engaging in Individual Labor Activity" authorizes USSR Gosbank to grant credits to such citizens:

--up to 2000 rubles for a period up to 12 months at an annual interest rate of 3 percent for the acquisition of raw materials, supplies and tools and for leasing and renting tools and other property;

--up to 3000 rubles for a period up to 24 months for the acquisition of other equipment, with repayment commencing the seventh month after the granting of the loan at an annual interest rate of 2 percent.

Credits for the indicated purposes are granted to citizens possessing a registration certificate or the patent of the finance department of the executive committee of the corresponding Soviet of People's Deputies; the citizens must pledge to repay the loan.

Five percent annual interest is charged for defaulted loans.

USSR Gosbank may, when the economic feasibility of doing so is confirmed by appropriate calculations, increase the size of the credit for the indicated purposes to 50 percent and to extend the loan repayment period up to 6 months. In the event the borrower defaults in his scheduled payments for more than 3 months, USSR Gosbank may bring suit in court to recover the entire sum of the loan.

The decree of the USSR Council of Ministers "On Questions Associated With the Collection of State Fees and Taxes from Persons Engaging in Individual Labor Activity" states that a state fee of five rubles shall be levied for the issuance of a patent to engage in individual labor activity.



An exemption is made for citizens who are permanent residents of regions of the Far North and regions equated with them. Their income from individual labor activity is not subject to income tax.

The decree of the USSR Council of Ministers "On the Procedure for Paying Pensions to Persons Engaging in Individual Labor Activity" provides that income from individual labor activity will not affect the payment of pensions of all types.

Pensions are paid to them in full, regardless of the income they receive [from individual labor activity].

5013

CSU: 1828/142

## WAGE PAYMENTS FOR PUBLIC HEALTH EMPLOYEES CLARIFIED

Moscow SOTSIALISTICHESKIY TRUD in Russian No 4, Apr 87 pp 108-113

[Interview with G. Yakimovich, chief, Department of Sociocultural Branches, USSR State Committee for Labor and Social Problems, by the SOTSIALISTICHESKIY TRUD editors: "New Wage Terms for Public Health and Social Security Employees"; date and place not given; first three paragraphs are SOTSIALISTICHESKIY TRUD introduction]

[Text] The 27th CPSU Congress emphasized that there is nothing more precious than health to every person and to all society. Health is our most important wealth. The congress posed important targets relating to protecting and strengthening the Soviet people's health, to prolonging the period of their labor activity, and to effecting fundamental improvements in the quality of medical care rendered the population.

The existing system for remunerating the labor of public health and social security employees, 80 percent of whom are women, is not responsive to the higher demands that are made on the quality of medical care. The fact of the matter is that the salaries of executives in medical-therapeutic institutions were last raised in 1964; physicians' salaries--in 1972. Consequently, the pay of public health employees has deteriorated in the last 2 decades compared with the pay of employees in other branches of the national economy. The number of employees performing multiple jobs has increased; there is an acute shortage of paramedical and junior medical personnel. As a result, the quality of the Soviet people's medical care has declined appreciably.

Last October, the CPSU Central Committee, the USSR Council of Ministers, and the All-Union Central Council of Trade Unions adopted the decree "On Raising the Wage Payments of Public Health and Social Security Employees." The editors requested G. Yakimovich, chief, Department of Sociocultural Branches, USSR State Committee for Labor and Social Problems, to comment on this document and to answer several questions.

[Question] Whose wage payments will be raised and by how much?

[Answer] Wage payments are raised for all categories of public health and social security employees, including executives, pharmaceutical chemists, pharmacists as well as auxiliary personnel of pharmacy institutions by an

average 35.6 percent. Certain clarifications should be made here. The salaries of most employees are being raised by 28-30 percent. The remaining increase in their wage payments will depend on the quality and volume of work performed by them.

Significant changes in salary ceilings are also contemplated. While in the past, physicians and paramedical personnel received their maximum salary after 30 years of work or more, they will henceforth receive their maximum salary after 15 years of work. The work experience categories previously in effect for junior medical personnel--under 5 years and over 5 years--will be retained.

[Question] Our readers are interested in the salary increases not only in percent but in absolute terms as well. Could you cite several examples?

[Answer] Salaries of sector physicians and pediatricians in outpatient-polyclinic institutions are set at 150-190 rubles depending on time worked in medicine; sector hospital surgeons--190-230 rubles; physicians' assistants, midwives, operating room nurses--110-140 rubles; medical nurses--105-135 rubles; junior medical nurses with less than 5 years patient care experience--100 rubles; over 5 years--110 rubles; and [female] orderlies--95 and 100 rubles a month, respectively.

[Question] How will the labor of specialists and white-collar workers be remunerated?

[Answer] The salaries of engineers working with x-ray, radiological, radiation, laser, electronic, and other sophisticated apparatus, instruments, and equipment are set at 140-220 rubles, i.e., at the same level as salaries paid to their counterparts at machine building enterprises. Engineers in the water-sewer, gas, elevator, power, air conditioning and heating, and repair services will be paid 130-210 rubles. Engineers engaged in other work and economists, accountants, and other specialists will be paid salaries ranging from 130 to 200 rubles. As in industry, qualification categories have been introduced for all categories of specialists.

Salaries for white-collar workers are established in the same amounts as at enterprises in the productive branches of the national economy.

[Question] What funds will be used to make the higher wage payments?

[Answer] Unlike the productive branches of the national economy, where wages are raised on the basis of the improved economic performance of work collectives and funds earned by them, approximately 3.5 billion rubles are being allocated from the state budget to increase wage payments to public health and social security employees. In addition, some of the funds (up to 3.5 percent of the planned wage fund of medical institutions) must be supplied by councils of ministers of union republics, ministries, and departments as a result of improvements in labor organization and work norms, the elimination of excessive staff, increased efficiency, and other measures making it possible to economize the wage fund.

[Question] How will an employee's qualifications be taken into account in his wage payments?

[Answer] As in the past, special distinctions will be made in wage payments to employees with honorary titles and scientific degrees. The salaries of physicians and pharmaceutical chemists with the title "Distinguished Republic Physician" or "Distinguished Republic Pharmaceutical Chemist" will be raised by 30 rubles a month instead of 10 rubles under the previous terms. For the first time, an increase of 50 rubles a month is established in the salaries of physicians with the title "People's Physician of the USSR."

The salaries of a number of employees with a scientific degree are also being raised. Thus, persons occupying positions as physicians or pharmaceutical chemists in public institutions, boarding facilities for the aged and disabled, medical departments of prosthetic-orthopedic enterprises, and medical labor disability commissions, and who have the scientific degree of candidate or doctor of medical (pharmaceutical, biological, chemical) sciences will receive a salary increase of 30 or 50 rubles a month, respectively. In the past, persons with the scientific degree of candidate of medical sciences received an additional salary of 10 rubles; doctor of medical sciences--20 rubles.

There will also be substantial changes in the wage payments of specialists who are assigned to qualification categories as a result of certification. First, there will be an increase in the number of certification categories, assignment to which will entitle employees to higher salaries and, second, the size of this increase will be significantly larger. For the first time, salaries of physicians and pharmaceutical chemists as well as dentists and certain paramedical and pharmaceutical personnel (physicians' assistants, midwives, medical nurses, laboratory assistants, pharmacists, etc.) will for the first time be raised on the basis of the second category. While in the past, the salaries of physicians and pharmaceutical chemists for the highest and first categories were raised 30 and 15 rubles, respectively, they are now raised 50 and 30 rubles. With the existence of the second category, salaries will for the first time be raised by 15 rubles.

The salaries of all types of surgeons who as a result of certification are assigned to the highest, first, or second qualification category and who work in hospital surgical departments and wards of all specialties are raised by 75, 50, and 25 rubles a month, respectively (formerly, they were raised by 50 and 30 rubles for the highest and first categories, respectively).

The salaries of dentists and paramedical and pharmaceutical personnel, who as a result of certification will be assigned to the first qualification category, will be raised by 20 rubles; those assigned to the second category--by 10 rubles.

In the past, a maximum of 1 percent of the planned wage fund could be expended on this purpose; under the new terms--a maximum of 2 percent. About 500,000 medical employees are presently assigned to certification categories that result in higher salaries. Subsequently, with the increase in allocations for this purpose, the number of these employees may increase to 1 million.



[Question] Will heads of institutions have the direct possibility of increasing the pay of highly qualified employees on the basis of the quantity and quality of their work?

[Answer] With the aim of encouraging conscientious, highly qualified work, heads of public health and social security institutions are authorized, with the consent of trade union committees, to assign increments to physicians, other medical and pharmaceutical employees, to specialists, and white-collar workers for applying advances of medical science and progressive techniques in their work, in recognition of the complexity, intensiveness and high quality of their work in the amount of up to 30 percent of their salary as well as increments for professional mastery: up to 12 percent for workers in skill group 3; up to 16 percent for workers in skill group 4; up to 20 percent for workers in skill group 5, and up to 24 percent of the wage rate.

Salary (wage rate) increments are paid a maximum of 1 year. Upon the expiration of that period, the increment must be confirmed for a new period, must be set in another amount, or must be rescinded depending on performance in the preceding period. In the event of the worsening of work indicators, increments may be reduced or rescinded entirely before the expiration of the period for which they are established. The increments may be funded by savings on the wage fund that are not used in the course of the year. Subsequently, with the conversion of all institution employees to the new wage payment terms, additional funds in the amount of up to 1 percent of the planned wage fund will be allocated for these purposes.

What is more, heads of institutions financed by the state budget will have considerably greater opportunity to reward personnel for their performance. The reference is to bonuses. It is authorized to expend up to 2 percent of the planned wage fund and to use the entire saving of the wage fund (with the exception of funds used for increments) for these purposes. In the past, bonuses were paid only from savings of the wage fund and no more than 1.5 percent of the savings were expended for this purpose.

While in the past, the size of the bonus paid to one employee did not exceed 2 months' salary a year, he may now receive up to 4.8 salaries (wage rates) in the course of a year, i.e., up to 40 percent of a salary (wage rate) a month.

[Question] What kind of material pressures can be applied against those whose performance is poor?

[Answer] First, the qualification category to which employees may have been assigned can be rescinded or lowered. The same also applies to increments. A sterner measure is also provided. Heads of public health agencies and institutions are authorized, with the consent of trade union committees, to demote physicians who on the basis of the results of certification are declared not to conform entirely to the position they occupy, to the position of physician-probationer for a period of six months and to receive the pay of a probationer.

[Question] Will the brigade form of labor organization and wage payments be developed?

[Answer] The brigade form of labor organization and wage payments is presently being introduced on an experimental basis for junior medical personnel in individual hospitals. Since last November, the heads of public health and social security institutions have been authorized, with the consent of trade union committees, to introduce the brigade form of labor organization and wage payments not only for junior, but also for paramedical personnel as well as specialists, white-collar and blue-collar workers. For increasing the volume of work performed and for securing the high quality of this work, brigade members may receive additional payment in the amount of up to 75 percent of the salary of paramedical and junior medical personnel and up to 50 percent of the salary (wage rate) of specialists, white-collar and blue-collar workers, and may also receive bonuses of up to 25 percent of their salary (wage rate). As compensation for leading a brigade, a brigade leader who continues to perform his basic job may receive in additional pay 10 percent of his salary (wage rate) if the brigade consists of 5-10 persons or 15 percent if the brigade consists of more than 15 persons.

The indicated additional payments and bonuses are paid within the limits of the wage fund for the positions (occupations) of personnel belonging to the brigade.

[Question] Are wage payments planned for institutions where the working conditions are hazardous to health or highly strenuous?

[Answer] The previous procedure for raising the percent of salaries for work in such institutions was imperfect. Wage payments were different for work performed under equal hazardous or strenuous conditions. The higher the salary, which in the case of medical employees depended on length of time worked, the higher in absolute terms was the pay for special working conditions even though the risk and strenuousness of work were the same for beginners as well as for specialists with long work experience.

Under the new conditions, this increase will be in absolute terms of the salary. Thus, for example, in institutions and subdivisions that treat infectious and tubercular patients, the salaries of medical personnel will be raised by 22 rubles; paramedical personnel--15 rubles; and junior medical personnel--by 11 rubles.

[Question] Many medical personnel perform multiple occupations. Are there any changes in the remuneration of their labor?

[Answer] Paramedical personnel (including heads of physicians' assistant-midwife points, chief medical nurses, and senior physicians' assistants), pharmaceutical (including Group 7 and Group 8 pharmacy institutions), and junior medical personnel, as well as blue-collar workers of public health and social security institutions who perform multiple occupations (duties), who expand service zones or who increase the volume of work performed will receive additional pay of up to 50 percent of their salary (rate) in their basic job (presently up to 30 percent).

[Question] Will the range of persons who may receive an increment for length of service and additional leave be expanded?

[Answer] Paramedical personnel of field teams of first aid and emergency medical aid stations (departments) that are transferred to positions of paramedical personnel for the purpose of receiving calls and transmitting them to field teams or who are transferred to work as senior physicians' assistants of first aid and emergency medical aid substations continue to receive long-service increments and the right to additional three-day leave. Starting in November 1990, increments for length of service and three-day additional leave time will be established for senior physicians of first aid and emergency medical aid stations (departments) and for heads of therapeutic and pediatric departments of polyclinics, and for sector medical nurses of therapeutic and pediatric territorial sectors.

[Question] Will length-of-service increments be paid to physicians of shop medical sectors?

[Answer] Starting in November 1990, these employees will receive monthly length-of-service increments for working in medical units and territorial polyclinics (outpatient clinics) in the amount of 10 percent of their salary for the first three years and another 10 percent for the next 2 years of continuous work. These increments may not exceed 20 percent of their salary.

[Question] How will work be remunerated when a shift is divided into two parts?

[Answer] Starting in November 1986, heads of public health and social security institutions, with the consent of trade union committees, have been authorized to make additional payments to personnel who agree to a work day with the division of their shift into two parts (with an interruption of more than 2 hours in their work) for time worked during these days in the amount of up to 30 percent of their salary (wage rate). The intrashift break during working time is not included. The list of occupations of persons who will be paid the indicated additional payments is approved by the USSR Ministry of Health with the consent of the Central Committee of the Trade Union of Medical Personnel.

[Question] Are there changes in wage payments for night work?

[Answer] All personnel assigned to night work are eligible for additional pay. The amount of additional pay is raised from 11-20 to 35 percent. Medical personnel and specialists engaged in rendering first aid and emergency medical aid; drivers of first and emergency medical aid vehicles; persons working in maternity (obstetrical) departments or divisions (wards) for newborn infants and in a number of other subdivisions of public health and social security institutions (according to a list approved by the USSR Ministry of Health in agreement with the USSR State Committee for Labor and Social Problems, USSR Ministry of Finance, and All-Union Central Council of Trade Unions) shall receive additional pay in the amount of up to 50 percent of their hourly wage rate (salary) for each hour of nighttime work.

[Question] When and in what order will the new wage payment conditions be introduced?

[Answer] The new wage payment conditions will be introduced in stages in 1986-1991. Unlike the previous order, they will be introduced not by regions of the nation, but with regard to the social significance, character, and intensiveness of the labor of various categories of personnel.

The new wage payment conditions were for the first time applied in full measure to all categories of Children's Home personnel on 1 November 1986. The salaries of surgeons in all specialties, physicians specializing in anesthesiology and reanimation (including physicians who are the heads of the corresponding structural subdivisions), physicians in medical departments of prosthetic-orthopedic enterprises, medical personnel of anesthesiology-reanimation, intensive care, and acute poisoning departments (wards); wards for newborn and premature infants; and operating and maternity units of hospitals will be raised.

Salaries will also be raised for the junior medical personnel of medical-prophylactic institutions and boarding facilities for the aged and disabled in cities. Wage rates of drivers of first aid and emergency medical care vehicles will be raised.

Starting in November 1986, salaries were increased for personnel with honorary titles "People's Physician of the USSR," "Distinguished Republic Physician," and "Distinguished Republic Pharmaceutical Chemist" or who have the scientific degrees of candidate or doctor of medical sciences.

Higher additional pay has been introduced for night work.

Starting in November 1987, the new wage payment conditions indicated in the present decree will be introduced for personnel of public education and social security institutions in Moscow. At the same time, the salaries of personnel of surgical departments (wards) of all hospital specialties and physicians who are heads of public health institutions and their structural subdivisions, boarding facilities for the aged and disabled as well as for junior medical personnel of public health institutions and boarding facilities for the aged and disabled in rural rayons as well as those situated in rural areas will be raised in all regions of the country.

Starting in November 1988, the salaries of other junior medical personnel will be raised and new, higher salaries will be established for those assigned to qualification categories. Budget funds will be allocated for bonuses.

Starting in November 1989, the new wage payment conditions indicated in the present decree will be introduced in their entirety for the rest of the personnel of public health and social security institutions (subdivisions) in rural rayons and in rural areas.



Salaries of the rest of the paramedical personnel will be raised starting in November 1990. The new wage payment conditions will be introduced for all other categories of personnel starting in November 1991.

COPYRIGHT: Izdatelstvo "Ekonomika", Sotsialisticheskiy trud, 1987.

5013

CS0: 1828/134

## DRAFT OF REGULATIONS ON SCHOOL INSPECTION SET FORTH

Moscow UCHITELSKAYA GAZETA in Russian 23 May 87 p 3

[Draft Regulations on School Inspection within the System of the USSR Ministry of Education]

[Text] 1. General provisions.

1.1. The school inspection office is a subdivision of the rayon, city, okrug, oblast, and kray divisions, and the public-education administration, as well as the USSR Ministry of Education.

1.2. The school inspection office exercises comprehensive monitoring controls over the activities of the general-education schools, children's preschool and extracurricular institutions, as well as organs of public education; it organizes its own work on a democratic basis, under the conditions of openness; and it facilitates the improvement of school activities, rendering effective aid in eliminating shortcomings.

1.3. The most important conditions for the effectiveness of inspections consist of the tie-in with life, good results and effectiveness of the monitoring controls, good planning and systematic regularity, comprehensiveness and scientific-pedagogical depth in analyzing the state of affairs, objectivity of appraisals, convincingness of conclusions, high-principled and demanding standards, as well as the correct behavior of the persons doing the inspecting.

1.4. The school inspection office is guided in its activity by the decisions and regulations of the party and government, the legislative acts of the USSR and the Union republics regarding public education, the directives, regulations, and instructions of the USSR Ministry of Education, the education ministries of the Union republics, as well as by the present Regulations and other normative documents.

2. Substance of the work done by the school inspection office. Duties and rights of school inspectors.

2.1. The school inspection office monitors the following:

--implementation and correct application by the educational institutions and public-education organs of the documents of the Communist Party and the Soviet government, the Constitution of the USSR and the Union republics with regard to public education, the charter of the secondary general-education school, as well as the normative documents of the USSR Ministry of Education, and the Union republic ministries;

--fulfillment of the basic indicators on the development of the national economy as provided for by the national economic plan;

--implementation of general middle education and creation of necessary organizational-pedagogical conditions for training and educating students;

--status of work regarding the introduction scientifically based forms and methods of teaching and communist indoctrination;

--activities of public-education institutions and organs with regard to improving the scientific organization of work and administration, creation for pedagogical staff of the most favorable conditions for the creative and effective putting into practice the work of progressive experience and the achievements of the pedagogical and psychological sciences;

--organization of work on increasing the professional skill and creative growth of teachers, educators, and the leading staff members of public-education institutions and organs;

--work of the public-education organs and the institutions subordinate to them in providing for directorial and pedagogical personnel, as well as the use of competitive and elective filling of positions; the ability to solve personnel problems, taking into account seniority and the creation of an effective personnel reserve;

--interaction between the pedagogical collectives and the base enterprises regarding the labor and vocational training of the schoolchildren, the formation within them during the educational process of the work skills and habits which are socially useful and necessary for productive work, and preparing the pupils to make a conscious choice of an occupation;

--ensuring a unity of requirements regarding a communist upbringing on the part of school, family, labor collectives, and the public;

--activity of the school as an organizational center for the leisure of children and adolescents in the district;

--setting production tasks.

2.2. School inspectors of the public-education rayon (city) divisions, in inspecting schools and other educational institutions of the rayon (city), guided by par. 2.1 of the present Regulations, analyze the following:

--condition of the intra-school administration on the basis of combining one-man leadership with collegiality, the development of self-rule, the targeted quality of planning, the justification for selecting items to be monitored, and verification methods;

--work of the pedagogical collective on forming profound and firm skills in the schoolchildren, as well as on improving the forms, means, and methods of lesson work;

--system of indoctrinational work ensuring the multifaceted and harmonious development of the pupils' personalities;

--performance by the schoolchildren of the secondary general-education school charter and the rules for pupils;

--implementation of pedagogical guidance of student self-rule;

--organization of work toward protecting children's rights;

--observance of sanitary-hygienic system in schools and other children's educational institutions, organization of children's feeding, as well as summertime rest and recreation for children;

--performance of rules for safety techniques in the process of educational and extracurricular work, socially useful work, and productive labor.

2.3. The school inspection office of city (cities under republic-level jurisdiction), okrug, oblast, and kray levels of public education and the education ministries of the autonomous republics, in addition to what was indicated in par. 2.2 of the present Regulations, verify the following:

--condition of administrative activity of public education, its planning and targeted quality, informational provision, effectiveness of monitoring controls and the organizational-pedagogical measures being adopted, as well as their aim at the end result;

--recruiting competent personnel for the public-education divisions and organizing work with regard to upgrading their skills;

--coordinating activities of the public-education organs and schools to utilize the possibilities of the social environment in the cause of the communist upbringing of pupils;

--coordinating activities of the public-education organs and schools to utilize the possibilities of the social environment in the cause of the communist upbringing of pupils;

--organizational work of the public-education organs on reinforcing the educational-material base of the schools, creation of conditions which ensure the successful teaching and upbringing of schoolchildren;



--observance of the established procedure for examining letters, declarations, and complaints from working people, the correctness and timeliness of solving the problems posed therein.

2.4. School inspectors are assigned to a group of schools (territory), specific sections, and lines of work in accordance with the distribution of functional duties among the staff members of a divisional apparatus, administration, and ministry.

2.5. In carrying out their own work in direct contact with party and Soviet organs, school inspectors will do the following:

--introduce proposals to grant pedagogical collectives the right to work under their own monitoring controls;

--facilitate by all measures the activities of pedagogical collectives and public-education organs in summarizing and propagandizing creative experience and innovative searches;

--attend classes and various types of drills, extracurricular and other measures outside the classroom, check out the knowledge, abilities, and habits of the pupils, along with the objectivity of the marks given to them by the teacher;

--thoroughly study within the inspection process the condition of intra-school monitoring control for the purpose of reaching objective conclusions;

--participate in the work of councils (collegiums) on public education, pedagogical councils, methods associations, and conferences of education officials;

--introduce proposals to encourage teachers, educators, directors of educational institutions and public-education divisions who work creatively;

--place before the ispolkoms of the local Soviets of People's Deputies and their standing deputy commissions problems of the optimal distribution of the network of educational institutions, strengthening the educational-material base of these institutions, the on-schedule putting into operation of buildings of educational institutions situated on the territories of the Soviets; strengthening the tie between the school and the production line, organizing the socially useful, productive work of pupils; job placement for graduates of secondary general-education schools;

--put an end to the illegal dispositions and actions of the leading officials of rayon (city) public-education divisions, school directors, and officials of children's preschool and extracurricular institutions, reporting about this to the appropriate public-education organs and to the ispolkom of the rayon (city) Soviet of People's Deputies;

--introduce proposals to the local party and soviet organs regarding improvement in the activity of public-education divisions, schools, and institutions; they pose the question of dismissing from work or the premature

certification of persons who do not measure up in their practical and/or moral-political qualities to the positions held by them.

2.6. School inspectors periodically report on their own activity to pedagogical collectives and school directors, parent activists, and the public.

2.7. The substance of the work, duties, and rights of the school inspectors under the USSR Ministry of Education and the education ministries of the Union republics are defined by the present Regulations and the regulations regarding the corresponding subdivisions of the ministries, as approved by the USSR Ministry of Education and the education ministries of the Union republics.

2.8. The directives and actions of the school inspectors can be complained about in the higher-ranking public-education organs.

### 3. Organization of inspections.

3.1. The periodicity and types of inspections are determined by the condition in the schools provided for by the public-education organs.

Planned, direct, and topical check-ups are approved by an order from the director of the public-education division and are carried out within a time period of no more than two weeks.

The feasibility of unplanned check-ups is determined by the objective necessity as presented by the school inspector.

3.2. Inspections may involve staff members of educational institutions, methods offices, city, oblast, kray, or republic-level institutes for improving (upgrading skills) of teachers, sub-departmental public-education organs, skilled specialists, and public inspectors.

The composition of an inspection brigade, along with the plan and time period for its work, are approved by the director of the appropriate public-education organ or its subdivision.

3.3. The basic methods and devices of an inspection are observation and analysis of the lessons and other educational activities, conducting oral and written check-ups on the knowledge and skills of the pupils, together with analysis of the notebooks and diaries of pupils, school documentation, and other materials.

3.4. The results of an inspection are examined in a preliminary fashion at psychological councils, conferences of the school leadership, public-education divisions, at sessions of subject and methods associations, which analyze the state of affairs, make suggestions as to how to improve the work, and set deadlines for eliminating the shortcomings noted.

Following the results of a direct check-up, a pedagogical council of the school is held, as a rule, no later than a week after its conclusion.

Results of check-ups on public-education organs are submitted for discussion by the collegiums of these organs.

3.5. Results of an inspection check-up on a school or other educational institution are drawn up in an act, written report, or memorandum containing an analysis, justified conclusions, and specific proposals as to improving the work. A copy of the act or written report is sent to the institution checked up on no later than two weeks after the conclusion of the check-up.

A document regarding the results of a check-up on a public-education organ is sent to the institution checked up upon no later than three weeks after the conclusion of the check-up.

The results of topical check-ups on a number of schools or institutions can be formulated in one, common document.

3.6. Notes and suggestions directed at the leading officials of a school or an extracurricular institution, following the results of an operative check-up on the given institution, are written into a book of remarks and suggestions of the persons carrying out the inspection.

3.7. According to the results of the direct inspection, a second check-up is carried out within one year and does not last more than a week. The school inspector focuses his attention on the elimination of the shortcomings discussed earlier; he notes the achievements made in the school's work and that of the teachers. If the recommendations of the previous check-up have been carried out, the documents (the act of the direct check-up, the school's operating plan to eliminate the shortcomings) are removed from the monitoring controls.

After the thematic inspection, as a rule, a repeat check-up is conducted in those schools needing help.

#### 4. School inspectors.

4.1. School inspectors are appointed from among the most experienced and authoritative school directors, teachers, and other educational officials who possess the necessary political, practical, and personal qualities, a broad-based pedagogical erudition, who have a good knowledge of the organization and activities of educational institutions, as well as the basic positions of advanced pedagogical science, who have a higher education and a probation period of pedagogical work lasting at least three years.

4.2. Appointments to and dismissals from the position of school inspector are carried out in accordance with the existing labor legislation of the USSR and the Union republics, taking the labor collectives' opinions into account.

4.3. Upgrading the skills of school inspectors is carried out by institutes for improving (upgrading skills) teachers, with a break for production-type service at least once every five years.

School inspectors raise their own ideological-political level and pedagogical skill within the system of political education, production training, and by means of self-education.

2384

CSO: 1828/138

- END -



**END OF**

**FICHE**

**DATE FILMED**

17 Nov. 1987